RED HERRING PROSPECTUS
Please read Section 60B of the Companies Act, 1956
Dated April 16, 2010
100% Book Building Offer

SJVN LIMITED

Our Company was originally incorporated on May 24, 1988 under the Companies Act, 1956, as amended (the **"Companies Act"**) as a private limited company under the name of Nathpa Jhakri Power Corporation Private Limited with the Registrar of Companies, Punjab, Himachal Pradesh and Chandigarh. For details of changes in the name of our Company, see section titled ***"History and Certain Other Corporate Matters"*** on page 99.

Registered and Corporate Office: SJVNL, Himfed Building, New Shimla, Himachal Pradesh, 171009.
Tel: +91 177 267 0741/ 0064/ 0490/ 0521/ 1091. **Fax:** +91 177 267 0542.
Company Secretary and Compliance Officer: Mr. P.S.R. Murthy. **Tel:** +91 177 267 2324. **Fax:** +91 177 267 0737.
E-mail: psr.murthy@sjvn.nic.in **Website:** www.sjvn.nic.in.

For details of changes in the registered address of our Company, see section titled ***"History and Certain Other Corporate Matters"*** on page 11.

THE PROMOTERS OF OUR COMPANY ARE THE PRESIDENT OF INDIA, ACTING THROUGH THE MINISTRY OF POWER, GOVERNMENT OF INDIA AND THE GOVERNOR, STATE OF HIMACHAL PRADESH, ACTING THROUGH THE DEPARTMENT OF MULTI-PURPOSE PROJECTS AND POWER, GOVERNMENT OF HIMACHAL PRADESH

PUBLIC OFFERING OF 415,000,000 EQUITY SHARES OF FACE VALUE RS. 10 EACH (THE "EQUITY SHARES") FOR CASH AT A PRICE OF RS. [●] PER EQUITY SHARE (INCLUDING A SHARE PREMIUM OF RS. [●] PER EQUITY SHARE) OF SJVN LIMITED ("SJVN" OR "COMPANY") AGGREGATING UP TO RS. [●] MILLION THROUGH AN OFFER FOR SALE (THE "OFFER FOR SALE" OR THE "OFFER") BY THE PRESIDENT OF INDIA ACTING THROUGH THE MINISTRY OF POWER, GOVERNMENT OF INDIA (THE "SELLING SHAREHOLDER"). THE OFFER COMPRISES A NET OFFER TO THE PUBLIC OF 411,650,000 EQUITY SHARES (THE "NET OFFER") AND A RESERVATION OF 3,350,000 EQUITY SHARES FOR PURCHASE BY ELIGIBLE EMPLOYEES (THE "EMPLOYEE RESERVATION PORTION") AT THE OFFER PRICE. THE OFFER AND NET OFFER SHALL CONSTITUTE 10.03% AND 9.95 % OF THE PAID-UP EQUITY CAPITAL OF OUR COMPANY, RESPECTIVELY. THE PRICE BAND AND THE BID LOT WILL BE DECIDED BY OUR COMPANY AND THE SELLING SHAREHOLDER, IN CONSULTATION WITH THE BRLMS AND ADVERTISED IN ALL EDITIONS OF INDIAN EXPRESS AND ALL EDITIONS OF JANSATTA AT LEAST TWO WORKING DAYS PRIOR TO THE BID/OFFER OPENING DATE*

The Selling Shareholder in consultation with the BRLMs may decide to offer discount of Rs.[●] to the Offer Price determined pursuant to the completion of the Book Building Process to the Eligible Employees and Retail Individual Bidders ("Retail and Employee Discount"**) and such discount if given will be advertised in all editions of Indian Express and all editions of Jansatta. The excess amount paid at the time of bidding shall be refunded to the Retail Individual Bidders and Eligible Employees*

If the Price Band is revised, the Bidding Period will be extended for three additional Working Days after such revision subject to the Bidding Period not exceeding a total of 10 Working Days. Any revision in the Price Band and the revised Biding Period, if applicable, will be widely disseminated by notification to the Self Certified Syndicate Banks, (each, an **"SCSB"**), the Bombay Stock Exchange Limited (**"BSE"**) and the National Stock Exchange of India Limited (**"NSE"**), by issuance of a press release, and also by indicating such changes on the websites of the SCSBs, Book Running Lead Managers (each, a **"BRLM"**) and at the terminals of Syndicate Members.

Pursuant to the provisions of regulation 41 (2) (a) of the Securities Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (**"SEBI ICDR Regulations"**), the Net Offer consists of an offer for sale of less than 10% of the issued and paid up share capital of our Company and is being made through a 100% book building process in compliance with the provisions of Rule 19(2)(b) of the SCRR (as defined below), wherein at least 60% of the Net Offer shall be Allotted on a proportionate basis to Qualified Institutional Buyers (**"QIBs"** and the allocation to the QIBs, the **"QIB Portion"**). 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder of the QIB Portion shall be available for allocation on a proportionate basis to QIBs, including Mutual Funds, subject to valid Bids being received at or above the Offer Price. If at least 60 % of the Net Offer cannot be Allotted to QIBs, all the application monies will be refunded forthwith. Further, not less than 10% of the Net Offer shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 30% of the Net Offer shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Offer Price.

3,350,000 Equity Shares shall be available for allocation on a proportionate basis to Eligible Employees (as defined hereafter), subject to valid Bids being received from them at or above the Offer Price. Non-QIB Bidders, may participate in the Offer through the ASBA process by providing the details of the bank accounts in which the corresponding Bid Amounts will be blocked by the SCSBs. Specific attention of investors is invited to the section titled ***"Offer Procedure"*** on page 191.

RISK IN RELATION TO FIRST OFFER

This is the first offer of Equity Shares of our Company and in addition, there has been no formal market for the Equity Shares. The face value of the Equity Shares is Rs.10 each and the Offer Price is [●] times of the face value. The Offer Price (as determined by our Company and the Selling Shareholder in consultation with the BRLMs, on the basis of assessment of market demand for the Equity Shares through a book building process and as stated in ***"Basis for Offer Price"*** on page 37) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading market in the Equity Shares or regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISKS

Investments in equity and equity-related securities involve a high degree of risk and investors should not invest any funds in the Offer unless they can afford to take the risk of losing their investment. Investors are advised to read the Risk Factors carefully before making any investment decision relating to the Equity Shares. In making an investment decision, investors must rely on their own examination of our Company and the terms of the Offer, including the risks involved. The Equity Shares offered in the Offer have not been recommended or approved by the Securities and Exchange Board of India (**"SEBI"**), nor does SEBI guarantee the accuracy or adequacy of this Red Herring Prospectus. Specific attention of potential investors is drawn to ***"Risk Factors"*** on page xiii.

IPO GRADING

Pursuant to the SEBI ICDR Regulations, the Offer has been graded by Credit Analysis and Research Limited and has been assigned a grade of 4 indicating above average fundamentals. The IPO Grading is assigned on a five-point scale from 1 to 5, with IPO Grade 5/5 indicating strong fundamentals and IPO Grade 1/5 indicating poor fundamentals. For more information on the IPO Grading, see sections titled ***"General Information"***, ***"Material Contracts and Documents for Inspection"*** and ***"Annexure"*** on pages 10, 243 and 247 respectively.

COMPANY'S AND SELLING SHAREHOLDER'S ABSOLUTE RESPONSIBILITY

Each of our Company and the Selling Shareholder, having made all reasonable inquiries, accept responsibility for and confirm that this Red Herring Prospectus contains all information with regard to our Company, the Selling Shareholder and the Offer, which is material in the context of the Offer, that the information contained in this Red Herring Prospectus is true and correct in all material aspects, that the opinions and intentions expressed herein are honestly held and that each of our Company and the Selling Shareholder are not aware of other facts, the omission of which makes this Red Herring Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING ARRANGEMENT

The Equity Shares offered through this Red Herring Prospectus are proposed to be listed on the BSE and the NSE. We have received in-principle approvals from BSE and the NSE for the listing of our Equity Shares pursuant to their letters dated March 11, 2010 and March 12, 2010, respectively. For the purposes of the Offer, the Designated Stock Exchange shall be NSE.

BOOK RUNNING LEAD MANAGERS				REGISTRAR TO THE ISSUE
JM FINANCIAL	IDFC CAPITAL	IDBI capital	SBI Capital Markets Limited	LINK INTIME INDIA PVT LTD (Formerly INTIME SPECTRUM REGISTRY LTD)
JM FINANCIAL CONSULTANTS PRIVATE LIMITED 141, Maker Chambers III Nariman Point Mumbai - 400 021, India Tel: +91 22 6630 3030 Fax: +91 22 2204 7185 E-mail: sjvnipo@jmfinancial.in Investor Grievance ID: grievance.ibd@jmfinancial.in Website: www.jmfinancial.in Contact Person: Ms. Lakshmi Lakshmanan SEBI Registration No.: INM000010361	**IDFC CAPITAL LIMITED** Naman Chambers, C32 G Block, Bandra Kurla Complex Bandra (East) Mumbai - 400 051, India Tel: +91 22 6622 2600 Fax: +91 22 6622 2501 E-mail: sjvnl.ipo@idfcsski.com Investor Grievance ID: complaints@idfcsski.com Website: www.idfcsski.com Contact Person: Mr. Hiren Raipancholia SEBI Registration No: INM000011336	**IDBI CAPITAL MARKET SERVICES LIMITED** 5th Floor, Mafatlal Centre, Nariman Point, Mumbai - 400 021 Tel : +91 22 4322 1212 Fax: +91 22 2285 0785 E-mail: sjvn.ipo@idbicapital.com Investors Grievance ID: redressal@idbicapital.com Website: www.idbicapital.com Contact Person : Mr. Hemant Bothra/ Mr Kartik Shah SEBI Registration No: INM000010866	**SBI CAPITAL MARKETS LIMITED** 202, Maker Tower 'E', Cuffe Parade Mumbai - 400 005 Tel: +91 22 2217 8300 Fax: +91 22 2218 8332 E-mail: sjvn.ipo@sbicaps.com Investor Grievance ID: investor.relations@sbicaps.com Website: www.sbicaps.com Contact Person: Ms. Nidhi Jain / Mr. Anurag Pandey SEBI Registration No: INM000003531	**LINK INTIME INDIA PRIVATE LIMITED** C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West), Mumbai - 400 078 Tel: +91 22 2596 0320 Fax: +91 22 2596 0329 E-mail:sjvnl.ipo@linkintime.co.in Website: www.linkintime.co.in Contact Person: Mr. Vishwas Attavar SEBI Registration No.: INR000004058

OFFER PROGRAM

BID OPENS ON : APRIL 29, 2010	BID CLOSES ON : MAY 3, 2010

TABLE OF CONTENTS

SECTION I – GENERAL
DEFINITIONS AND ABBREVIATIONS

Unless the context otherwise indicates, the following terms shall have the following meanings in this Red Herring Prospectus and reference to any statute or regulations or policies shall include references to any amendments or re-enactments made from time to time.

In this Red Herring Prospectus, unless the context otherwise indicates, all references to "**SJVN**" or "**Company**" are to SJVN Limited, a public limited company incorporated in India under the Companies Act, with its registered and corporate office located at Himfed Building, New Shimla HP-171 009, India.

Company Related Terms

Term	Description
Articles of Association or Articles or AoA	The articles of association of our Company, as amended.
Audit Committee	The committee of directors constituted as our Company's audit committee in accordance with Clause 49 of the Listing Agreement to be entered into with the Stock Exchanges. For details see section titled "***Our Management***" on page 104**.**
Auditors	The statutory auditors of our Company, M/s. Hingorani M & Co., Chartered Accountants.
Board or Board of Directors	The board of Directors of our Company duly constituted from time to time.
Corporate Office	The corporate office of our Company, located at Himfed Building, New Shimla, Shimla (HP)-171 009.
Directors	The Directors of our Company, unless otherwise specified.
Ex-bus saleable design energy	The quantum of energy which could be generated in a 90% dependable year with 95% installed capacity of the generating station delivered to the grid at the transmission line.
Luhri project	The proposed run-of-the river project expected to be located on the Sutlej River, downstream from the Rampur Project with an indicative capacity of 775 MW.
Projects	The identified projects of our Company situated in the state of Uttarakhand, namely, Devsari Project, Naitwar Mori Project, and Jhakol Sankri Project.
Memorandum of Association or Memorandum	The memorandum of association of our Company, as amended.
Promoter(s) or Shareholder(s)	The President of India, acting through the Ministry of Power, Government of India and the Governor of Himachal Pradesh, acting through the Department of Multi Purpose Projects and Power, Government of Himachal Pradesh.
Registered Office	The registered office of our Company, which, as at the date of this Red Herring Prospectus, is located at Himfed Building, New Shimla, HP-171 009.
we , us, our or our Company	Relates to SJVN Limited.

Offer Related Terms

Term	Description
Allotted/Allotment/Allot	Unless the context otherwise requires, the transfer of Equity Shares to successful Bidders pursuant to the Offer.
Allottee	A successful Bidder to whom the Equity Shares are Allotted.
Application	The completion of the Bid cum Application Form or ASBA Bid cum Application Form by a Bidder with an intent to apply for Equity Shares pursuant to the Offer.
Application Supported by Blocked Amount or ASBA	An application for subscription to an offer containing an authorisation to block the application money in a bank account as detailed in the Section titled "***Offer Procedure- Offer Procedure for ASBA Bidders***" on page 191**1.**
ASBA Account	Account maintained with an SCSB which will be blocked to the extent of the Bid Amount.
ASBA Bidder	A Bidder not being a QIB, who intends to apply to the Offer under ASBA Process.
ASBA Bid cum Application Form	The application form, whether physical or electronic in terms of which an ASBA Bidder shall make a Bid pursuant to the terms of the Red Herring Prospectus and which contains an authorisation to block the Bid Amount in an ASBA Account.
ASBA NRI Bidder	An ASBA Bidder who is not a resident of India.
ASBA Revision Form	The form used by ASBA Bidders to modify the number of Equity Shares or the Bid Price in any of their ASBA Bid cum Application Forms or any previous ASBA Revision Form(s).

Term	Description
Bankers to the Offer/ Escrow Collection Banks	The banks which are clearing members and registered with the SEBI as bankers to the Offer with whom the Escrow Account will be opened, being Axis Bank, HDFC Bank Ltd., State Bank of India, Kotak Mahindra Bank, The Hong Kong and Shanghai Banking Corporation Limited, ICICI Bank Limited and Yes Bank Limited.
Basis for allotment	The basis on which the Equity Shares will be Allotted and which is described in "***Offer Procedure***" on page 191.
Bid	An indication by a Bidder to make an offer to purchase Equity Shares pursuant to the terms of the Red Herring Prospectus or Prospectus.
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder on submission of the Application.
Bid cum Application Form	The form in terms of which the Bidder shall make a Bid and which will be considered as the Application for Equity Shares pursuant to the terms of the Red Herring Prospectus and the Prospectus including the ASBA Bid cum Application Form as may be applicable.
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus.
Bidding Center	A center for the acceptance of the Bid cum Application Forms.
Bid/Offer Closing Date	The date after which the members of the Syndicate and SCSBs will not accept any Bids for the Offer and which shall be notified in one English national newspaper and one Hindi national newspaper, each with wide circulation and in case of any revision, the extended Offer Opening Date also to be notified on the website and terminals of the Syndicate and SCSBs, as required under the SEBI ICDR Regulations. Hindi is the regional language of the place where the Registered Office is located.
Bid/Offer Opening Date	The date on which the members of the Syndicate and SCSBs start accepting Bids for the Offer and which shall be notified in one English national newspaper and one Hindi national newspaper, each with wide circulation and in case of any revision, the extended Offer Closing Date also to be notified on the website and terminals of the Syndicate and SCSBs, as required under the SEBI ICDR Regulations. Hindi is the regional language of the place where the Registered Office is located.
Bidding Period	The period between the Bid/Offer Opening Date and the Bid/Offer Closing Date (inclusive of both days), during which Bidders can submit Bids, including any revisions thereof.
Book Building Process	The book building process as described in Schedule XI of the SEBI ICDR Regulations, in terms of which the Offer is being made.
Book Running Lead Managers or BRLMs	The book running lead managers to the Offer, in this case being JM Financial Consultants Private Limited, IDFC Capital Limited, IDBI Capital Market Services Limited and SBI Capital Markets Limited.
Cap Price	The higher end of the Price Band above which the Offer Price will not be finalised and above which no Bids will be accepted, including any revisions thereof.
Client ID	Client identification number of the Bidder's beneficiary account.
Confirmation of Allocation Note or CAN	The note, advice or intimation of allocation of Equity Shares sent to successful Bidders who have been allocated Equity Shares after discovery of the Offer Price in accordance with the Book Building Process, including any revisions thereof.
Controlling Branches	Such branches of the SCSBs which coordinate Bids under the Offer by the ASBA Bidders with the Registrar to the Offer and the Stock Exchanges and a list of which is available at http://www.sebi.gov.in/pmd/scsb.pdf, or at such other website as may be prescribed by SEBI from time to time.
Cut-off Price	Any price within the Price Band finalised by our Company and the Selling Shareholder in consultation with the BRLMs. A Bid submitted at the Cut-off Price is a valid Bid at all price levels within the Price Band. Only Retail Individual Bidders and Eligible Employees are entitled to bid at the Cut-off Price. QIBs and Non-Institutional Bidders are not entitled to bid at the Cut-off Price. Retail Individual Bidders and Eligible Employees will be eligible for the Retail and Employee Discount.
Demographic Details	Details of the Bidder including address, bank account details, MICR code and occupation.
Depository	A depository registered with SEBI under the SEBI (Depositories and Participants Regulations, 1996, as amended.
Designated Date	The date on which the Escrow Collection Banks transfer the funds from the Escrow Account(s) and the amount blocked by the SCSBs are transferred from the bank account of the ASBA Bidders to the Public Offer Account, in terms of the Red Herring Prospectus.
Designated Stock Exchange	The National Stock Exchange
Designated Branches	Such branches of the SCSBs which shall collect the ASBA Forms and a list of which is available on http://www.sebi.gov.in.

Term	Description
DP ID	Depository Participant's Identity.
Eligible NRI	An NRI resident in a jurisdiction outside India where it is not unlawful to make an offer or invitation under the Offer and in relation to whom the Red Herring Prospectus constitutes an invitation to subscribe for the Equity Shares.
Eligible Employees	A permanent and full-time employee of our Company or a Director of our Company (excluding any person not eligible under applicable laws, rules, regulations and guidelines), as on the date of filing of the Red Herring Prospectus with the RoC, who are Indian nationals and are present in India as on the date of submission of the Bid cum Application Form and who continue to be in the employment of our Company until submission of the Bid cum Application Form.
Employee Discount	Discount of upto Rs [•] to the Offer Price determined pursuant to the completion of the Book Building Process given to the Eligible Employees.
Employee Number	A unique identification number allotted to each employee of our Company.
Employee Reservation Portion	3,350,000 Equity Shares representing 0.81**%** of the Offer reserved to be allocated to Eligible Employees .
Equity Shares	The Equity Shares of our Company with a face value of Rs. 10 each.
Escrow Account	An account to be opened with the Escrow Collection Bank(s) for the Offer and in whose favour the Bidder (excluding ASBA Bidders) will issue cheques or drafts or RTGS instructions in respect of the applicable Margin Amount when submitting a Bid and the remainder of the amount payable by the Bidder for the Allotment, if any.
Escrow Agreement	The agreement to be entered into among our Company, the Selling Shareholder, the Registrar to the Offer, the BRLMs, Syndicate Members and the Escrow Collection Bank(s) for collection of the Bid Amounts and, where applicable, remitting refunds of the amounts collected to the Bidders (excluding ASBA Bidders) on the terms and conditions thereof.
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form or the ASBA Bid cum Application Form or the ASBA Revision Form as the case may be.
Floor Price	The lower end of the Price Band, below which the Offer Price will not be finalised and below which no Bids will be accepted and which shall not be lesser than the face value of the Equity Shares, including revisions thereof.
IDBICAPS	IDBI Capital Market Services Limited.
IDFC Capital	IDFC Capital Limited.
IPO Grading Agency	Credit Analysis and Research Limited or CARE
JM Financial	JM Financial Consultants Private Limited.
Margin Amount	The amount paid by the Bidder at the time of submission of the Bid and which may range between 10% and 100% of the Bid Amount.
MoP or MOP	Ministry of Power, Government of India.
Mutual Funds	Mutual funds registered with the SEBI under the SEBI (Mutual Funds) Regulations, 1996, as amended.
Mutual Fund Portion	5% of the QIB Portion or 12,349,500 Equity Shares, available for allocation to Mutual Funds only, on a proportionate basis.
Net Offer	The Offer less the Employee Reservation Portion, being 411,650,000 Equity Shares.
Non-Institutional Bidders	All Bidders including Sub-Accounts which are foreign corporates or foreign individuals that are not QIBs or Retail Individual Bidders.
Non-Institutional Portion	The portion of the Net Offer, of not less than 10% of the Net Offer or 41,165,000 Equity Shares at the Offer Price, available for allocation to Non-Institutional Bidders.
Non-Resident Indian or NRI	A person resident outside India, as defined under the Foreign Exchange Management Act, 1999, and the FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended.
Offer or Offer for Sale	An Offer for Sale of 415,000,000 Equity Shares by the Selling Shareholder, pursuant to the terms of the Red Herring Prospectus and the Prospectus.
Offer Agreement	The agreement dated February 25, 2010 among our Company, the Selling Shareholder and the BRLMs, pursuant to which certain arrangements have been agreed to in the context of the Offer.
Offer Price	The final price at which Equity Shares will be Allotted. The Offer Price will be decided by our Company and the Selling Shareholder in consultation with the BRLMs.
Pay-in Date	With respect to the QIB Bidders, the Bid/Offer Closing Date or last date specified in the CAN sent to Bidders.

Term	Description
Pay-in Period	Except with respect to ASBA Bidders, those Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid/Offer Opening Date and extending until the Bid/Offer Closing Date; and With respect to Bidders, whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid/Offer Opening Date and extending until the last date specified in the CAN.
Price Band	The price band between the Floor Price of Rs. **[●]** per Equity Share and the Cap Price of Rs. **[●]** per Equity Share, including all revisions thereof.
Pricing Date	The date on which our Company and the Selling Shareholder in consultation with the BRLMs finalise the Offer Price.
Prospectus	The prospectus of our Company to be filed with the RoC relating to the Offer post the Pricing Date pursuant to Section 60 B of the Companies Act, containing, *inter alia*, the Offer Price that is determined at the end of the Book Building Process on the Pricing Date, including any corrigendum thereof.
Public Offer Account	The bank account opened with the Bankers to the Offer by our Company under Section 73 of the Companies Act to receive money from the Escrow Accounts on the Designated Date and where the funds shall be transferred by the SCSBs from the ASBA Accounts.
QIB Margin Amount	An amount representing at least 10% of the Bid Amount being the amount QIBs are required to pay at the time of submitting a Bid.
QIB Portion	The portion of the Net Offer being at least 60% of the Offer or 246,990,000 Equity Shares at the Offer Price to be allocated to QIBs.
Qualified Institutional Buyers or QIBs	Means a mutual fund, venture capital fund and foreign venture capital investor registered with the Board, a foreign institutional investor and Sub-Account (other than a Sub-Account which is a foreign corporate or foreign individual), registered with the Board, a public financial institution as defined in section 4A of the Companies Act, a scheduled commercial bank, a multilateral and bilateral development financial institution, a state industrial development corporation, an insurance company registered with the Insurance Regulatory and Development Authority, a provident fund with minimum corpus of two hundred and fifty million rupees, a pension fund with minimum corpus of two hundred and fifty million rupees, National Investment Fund set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the Government of India published in the Gazette of India or insurance funds set up and managed by the army, navy or air force of the Union of India.
Red Herring Prospectus or RHP	This red herring prospectus issued by our Company in accordance with Sections 56, 60 and 60B of the Companies Act and the SEBI ICDR Regulations which does not have complete particulars of the price at which the Equity Shares are offered and the size of the Offer. The Red Herring Prospectus will become a Prospectus upon filing with the RoC after the Pricing Date.
Refund Account	The account opened with (an) Escrow Collection Bank(s), from which refunds, if any, of the whole or part of the Bid Amount (excluding to ASBA Bidders), if any shall be made.
Refund Bank(s)	The bank(s) which is a/ are clearing members and registered with the SEBI as Bankers to the Offer, at which the Refund Accounts will be opened, in this case being, HDFC Bank Limited, Kotak Mahindra Bank Limited and State Bank of India.
Registrar to the Offer	Link Intime India Private Limited.
Retail Discount	Discount of up to Rs [•] to the Offer Price determined pursuant to the completion of the Book Building Process given to Retail Individual Bidders.
Retail Individual Bidders	Individual Bidders (including HUFs and Eligible NRIs) who have not Bid for Equity Shares for an amount more than Rs. 100,000 in any of the bidding options in the Offer.
Retail Portion	The portion of the Net Offer being not less than 30% of the Net Offer, or 123,495,000 Equity Shares at the Offer Price, available for allocation to Retail Individual Bidders on a proportionate basis.
Revision Form	The form used by Bidders excluding ASBA Bidders to modify the number of Equity Shares or the Bid Price in any of their Bid cum Application Forms or any previous Revision Form(s).
ROC or RoC	Registrar of Companies, Punjab, Himachal Pradesh and Chandigarh.
SBI CAPS	SBI Capital Markets Limited.
Self Certified Syndicate Bank or SCSB	The banks which are registered under SEBI (Bankers to an Offer) Regulations, 1994 and which offers the services of ASBA, including blocking of bank account, a list of which is available on http://www.sebi.gov.in/pmd/scsb.pdf
Selling Shareholder	The President of India acting through the Ministry of Power, Government of India.
Stock Exchanges	The BSE and the NSE.

Term	Description
Sub- Account	Sub-accounts of FIIs registered with SEBI under the SEBI (Foreign Institutional Investor) Regulations 1995 as amended from time to time.
Syndicate	Collectively, the BRLMs and the Syndicate Member(s).
Syndicate Agreement	The agreement among the members of the Syndicate, our Company and the Selling Shareholder in relation to the collection of Bids in the Offer (excluding Bids by the ASBA Bidders).
Syndicate Member(s)	Intermediaries registered with the SEBI and permitted to carry out activities as an underwriter, in this case being JM Financial Services Private Limited, Sharekhan Limited, SBICAP Securities Limited and IDBI Capital Market Services Limited.
Transaction Registration Slip or TRS	The slip or document issued by a member of the Syndicate or the SCSBs (only on demand) to a Bidder as proof of registration or revision of the Bid.
Underwriters	The BRLMs and the members of the Syndicate.
Underwriting Agreement	The agreement among our Company, the Selling Shareholder and the Underwriters to be entered into on or after the Pricing Date.
Working Day	All days except Saturday, Sunday and any public holiday on which commercial banks in New Delhi and/or Mumbai are open for business.

Conventional /General Terms and Abbreviations

Term	Description
AAR	Authority for Advance Ruling.
AGM	Annual General Meeting.
Act or Companies Act	The Companies Act, 1956 as amended.
AS	Accounting Standard issued by the Institute of Chartered Accountants of India.
Assistant General Manager	An Assistant General Manager of our Company, as appointed
BSE	The Bombay Stock Exchange Limited.
CDSL	Central Depository Services (India) Limited.
CEI	Chief Electrical Inspector.
CHF	Swiss Franc.
CLRA	The Contract Labour (Regulation and Abolition) Act, 1970 as amended.
Depositories	NSDL and CDSL.
Depositories Act	The Depositories Act, 1996, as amended.
Depository Participant or DP	A depository participant as defined under the Depositories Act.
DIN	Director Identification Number.
DRB	Dispute Review Board
€	Euro.
ECS	Electronic clearing service.
EGM	Extraordinary general meeting of the shareholders of our Company.
EPC	Erection, Procurement and Commissioning
EPS	Earnings per share, i.e., profit after tax for a Fiscal year divided by the weighted average number of equity shares during the Fiscal year.
Executive Director	The Executive Director of our Company, as appointed
Factories Act	Factories Act, 1948, as amended.
FC	Foreign currency.
FCNR Account	Foreign Currency Non-Resident Account established in accordance with the FEMA.
FDI	Foreign direct investment.
FEMA	The Foreign Exchange Management Act, 1999, together with rules and regulations thereunder and amendments thereto.
FII (s)	Foreign Institutional Investors (as defined under the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, as amended) registered with the SEBI.
Financial Year/Fiscal/FY	Period of 12 months ended March 31 of that particular year unless the context otherwise requires.
FVCI	Foreign Venture Capital Investors (as defined under the SEBI (Foreign Venture Capital Investors) Regulations, 2000, as amended) registered with the SEBI.
GDP	Gross Domestic Product.
General Manager	A General Manager of our Company, as appointed
GoI or GOI or Government	Government of India.
GoHP	Government of Himachal Pradesh.
GoU or GOU	Government of Uttarakhand.
HEP	Hydro-electric project.
HP	Himachal Pradesh.
HPSEB	Himachal Pradesh State Electricity Board.
HRT	Head Race Tunnel
HUF	Hindu Undivided Family.
IDC	Interest during construction.
IFRS	International Financial Reporting Standards.
IT&C	Information Technology and Communications.
I.T. Act	Income Tax Act, 1961, as amended.
Indian GAAP	Generally Accepted Accounting Principles in India.
IPO	Initial Public Offering (i.e., the Offer).

Term	Description
KfW, Germany	Kreditanstalt fur Wiederaufbau.
LIC	The Life Insurance Corporation of India.
LIBOR	London Interbank offer rate for U.S. dollars.
MAT	Minimum Alternate Tax.
MoA	Memorandum of Agreement.
MoE	Memorandum of Entry.
MOSPI	Ministry of Statistics & Programme Implementation.
MoU	Memorandum of Understanding.
N.A.	Not Applicable.
NEFT	National Electronic Fund Transfer.
NJHPS or NJHEP or Nathpa Jhakri	The Nathpa Jhakri Power Station situated on the River Sutlej in the State of Himachal Pradesh.
Non-Resident or NR	A person resident outside India, as defined under the FEMA and includes a Non-Resident Indian.
NRDC	National Research Development Corporation.
NRE Account	Non-Resident External Account established in accordance with the FEMA.
NRO Account	Non-Resident Ordinary Account established in accordance with the FEMA.
NRPC	Northern Regional Power Committee.
NSDL	National Securities Depository Limited.
NSE	The National Stock Exchange of India Limited.
O&M	Operation and Maintenance.
OCB	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts in which not less than 60% of the beneficial interest is irrevocably held by NRIs directly or indirectly and which was in existence on October 3, 2003 and immediately before such date was eligible to undertake transactions pursuant to the general permission granted to OCBs under the FEMA. OCBs are not allowed to invest in the Offer.
p.a	Per annum.
PAN	Permanent Account Number allotted under the I.T. Act.
QA&I	Quality Assurance and Inspection.
R&D	Research and Development.
R&R Policy	Our Rehabilitation and Resettlement Policy, 2007, which is based on the National Resettlement and Rehabilitation Policy, 2007 of the GoI.
RBI	The Reserve Bank of India.
REC	Rural Electrification Corporation Limited.
RHEP	Rampur Hydro-electric project.
RoE	Return on equity.
RoNW	Return on net worth.
Rs.	Indian Rupees.
RTGS	Real Time Gross Settlement.
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended.
SEBI	Securities and Exchange Board of India constituted under the SEBI Act.
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended.
SEBI FII Regulations	Securities Exchange Board of India (Foreign Institutional Investors) Regulations 1995, as amended by the SEBI (Foreign Institutional Investors)(Amendment) Regulations, 2008.
SEBI ICDR Regulations	SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended.
SEBR	Swiss Export Base Rate.
Special Rupee Account or Non-Resident (Special) Rupee Account or NRSR	Accounts held by Non Resident Indians which carry the same facilities and restrictions as are applicable to domestic accounts of residents in respect of repatriation of funds held in the account and/or income accrued thereon with an exception of investment in shares / securities and immovable property in India, which will be governed by the extant exchange control regulations applicable on such investments.
STT	Securities Transaction Tax.
Supreme Court	Supreme Court of India.
Takeover Code	The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended.

Term	Description
Tariff Policy	The Tariff Policy of India 2006
TRT	Tail Race Tunnel
USA or U.S.	United States of America.
US$ or USD	U.S. Dollar.
VAT	Value Added Tax.
w.e.f	With effect from.

Technical and Industry-Related Terms

Term	Description
AAD	Advance Against Depreciation.
AFC	Annual Fixed Charges.
CCEA	Cabinet Committee on Economic Affairs.
CDM	Clean Development Mechanism.
CEA	Central Electricity Authority.
CER	Certified Emission Reduction.
CERC	Central Electricity Regulatory Commission.
Design energy	The quantum of energy which could be generated in a 90% dependable year with 95% installed capacity of the generating station.
DPE	Department of Public Enterprises, Ministry of Heavy Industries and Public Enterprises.
DPR	Detailed Project Report.
EIA	Environmental Impact Assessment.
Electricity Supply Act	Electricity (Supply) Act, 1948, as amended.
EMP	Environment Management Plan.
EPA	Environment (Protection) Act, 1986 as amended.
FCA	Forest (Conservation) Act, 1980 as amended.
FLOP	Fire loss of profit
GIS	Geographic Information System.
HR	Human resources.
IPP	Independent Power Producer.
KWh	Kilo Watt Hour.
Land Acquisition Act	Land Acquisition Act, 1894 as amended.
MoEF or MoEF	Ministry of Environment and Forest, Government of India.
MU	Million Units.
MW	Mega Watt.
NAPAF	Normative Annual Plant Availability Factor.
PFC	Power Finance Corporation Limited.
PGCIL	Power Grid Corporation of India Limited.
PIB	Public Investment Board.
PPA	Power Purchase Agreement.
RES	Renewal Energy Sources, which includes small hydro, wind and biomass.
SEB(s)	State Electricity Board(s) and their successor(s), if any, including those formed pursuant to restructuring/unbundling.
SERC	State Electricity Regulatory Commission.
STU	State Transmission Utility.
Tailrace discharge	The discharge of water coming out of the machine after generation of electricity.
TEC	Techno Economic Clearance.
TEA	Techno Economic Appraisal.
Tripartite Agreements	Tripartite Agreements executed among the GoI, RBI and the respective State governments.

CERTAIN CONVENTIONS, USE OF FINANCIAL INFORMATION AND MARKET DATA AND CURRENCY OF PRESENTATION

Certain Conventions

All references in this Red Herring Prospectus to "**India**" are to the Republic of India. All references in this Red Herring Prospectus to the "**US**", "**USA**" or the "**United States**" are to the United States of America.

Financial Data

Unless indicated otherwise, the financial data in this Red Herring Prospectus is derived from our Restated Financial Statements as of and for the years ended March 31, 2009, 2008, 2007, 2006, and 2005 and for the nine-month period ended December 31, 2009 prepared in accordance with generally accepted accounting principles in India ("**Indian GAAP**") and the Companies Act and restated in accordance with the SEBI ICDR Regulations, as stated in the reports of our Auditors included in "***Financial Statements***" on page F1.

Our fiscal year commences on April 1 and ends on March 31, so all references to a particular fiscal year, FY or Fiscal are to the twelve-month period ended March 31 of that year. Our financial statements for the years ended March 31, 2009 and 2008 were audited by R. Bansal & Co, Chartered Accountants. Our financial statements for the year ended March 31, 2007 was audited by Raj Gupta & Co., Chartered Accountants, and our financial statements for the years ended March 31, 2006 and 2005 were audited by Pandey Dua & Mathur, Chartered Accountants. In this Red Herring Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off.

There are significant differences between Indian GAAP, IFRS and U.S GAAP. Accordingly, the degree to which the financial statements prepared in accordance with Indian GAAP included in this Red Herring Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices, Indian GAAP, the Companies Act and the SEBI ICDR Regulations. Any reliance by persons not familiar with Indian accounting practices, Indian GAAP, the Companies Act and the SEBI ICDR Regulations on the financial disclosures presented in this Red Herring Prospectus should accordingly be limited. Our Company and the Selling Shareholder have not attempted to explain those differences or quantify their impact on the financial data included herein, and our Company and the Selling Shareholder urge you to consult your own advisors regarding such differences and their impact on the financial data of our Company. For a summary of certain principal differences between Indian GAAP, IFRS and U.S. GAAP, please see section titled ***"Summary of Differences between Indian GAAP, IFRS and U.S. GAAP"*** on page 32.

Any percentage amounts, as set forth in "Risk Factors," "Business," and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this Red Herring Prospectus, unless otherwise indicated, have been calculated on the basis of our Restated Financial Statements prepared in accordance with Indian GAAP and rounded to the nearest decimal place.

Currency and Units of Presentation

All references to "**Rupees**" or "**Rs.**" are to Indian Rupees, the official currency of the Republic of India. All references to "**US$**" or "**USD**" or "**U.S. dollar**" are to United States Dollars, the official currency of the United States of America. All references to "**€**" are to Euros, the single currency of the participating member states in the Third Stage of the European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time. All references to "**NOK**" or "**Norwegian Krone**" are to the Norwegian Krone, the official currency of the Kingdom of Norway.

Market and Industry Data

Market and industry data used throughout this Red Herring Prospectus has been obtained from various government and industry publications including those published by the MoP, the CEA and the Planning Commission of India. These publications generally state that the information contained therein has been obtained from sources believed to be reliable but that such information has not been independently verified and there can be no assurance as to the accuracy and completeness of included information. Although each of our Company and the Selling Shareholder believes the market and industry data used in this Red Herring Prospectus is reliable, it has not been independently verified. The data used in these sources may have been re-classified for purposes of presentation. Data from these sources may also not be comparable. The extent to which the market and industry data is presented in this Red Herring Prospectus is meaningful depends upon the reader's familiarity with and understanding of the methodologies used in compiling such data. There are no standard data gathering methodologies in the industry.

Neither our Company nor the Selling Shareholder has independently verified any of the data from third party sources or ascertained the underlying economic assumptions contained therein.

In addition, statements made in relation to installed capacity and electricity generated for each of the years set out in this Red Herring Prospectus are based on information regarding such matters published by the MoP and the NRDC and are based in part on data submitted by power producers such as our Company. Various operational data relating to our Company such as gross generation, ex-bus generation, saleable energy and plant availability factor has been included, and the manner in which such statistical data has been calculated has been described elsewhere in this Red Herring Prospectus. You should note, however, that other companies in the hydroelectric and energy industry sectors may categorize, calculate and present such data in a different manner and therefore, you should use caution in comparing such data with data presented by other companies, which may not be directly comparable.

FORWARD-LOOKING STATEMENTS

This Red Herring Prospectus contains forward looking statements and information that involve risks, uncertainties and assumption. Forward-looking statements are statements that concern plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements that are other than statements of historical fact, including, but not limited to, those that are identified by the use of words such as "will," "aim," "will likely result," "believe," "expect," "will continue," "anticipate," "estimate," "intend," "plan," "seek to," "future," "objective," "project," "should," "will pursue" and similar expressions or variations of such expressions.

The future events referred to in these forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond the control of our Company, which may cause the actual results, performance, achievements or industry results to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding Government and state government policies in the energy sector, our present and future business strategies, and the environment in which our Company will operate in the future, and are not a guarantee of future performance.

Important factors that could cause actual results, performance or achievements to differ materially from those in the forward looking statements set out herein include, among others, the following:

- general economic and political environment and changes in laws and regulations that apply to the Indian, regional or global mining industries, including with respect to custom duties, excise duties or environmental regulations;
- our ability to implement our business strategies and successfully tender for or obtain new rights for the development and operation of hydroelectric power projects;
- geological, weather and hydrological conditions affecting our projects;
- fluctuations in the selling prices of energy, including due to factors such as plant availability, local, regional and global supply and demand;
- the price of raw materials, equipment, machinery, spare parts, and engineering and construction services, including factors influencing their prices, such as regional and global supply and demand;
- the effects of competition in the geographic and business areas in which we conduct our operations;
- the effects of changes in laws, regulations, taxation or accounting standards or practices, including in particular in electricity tariff regulations, project tender processes, environmental regulations and compliance costs;
- the effects of, and changes in, the regulatory policy of the Government related to the energy industry, public sector and private sector investment and generally;
- the ability to maintain or increase performance while controlling expenses and plant downtime;
- environmental compliance and remediation, including rehabilitation and reclamation programs;
- our ability to obtain raw materials, equipment, machinery or spare parts from its major suppliers in the time frame anticipated or at all and significant increases in the costs of those raw materials, equipment, machinery or spare parts;
- technological changes that affect hydroelectric power projects;
- effects of international and domestic political events on our business;
- the ability of third party contractors to perform in accordance with contractual terms and specifications;
- labor unrest or other similar situations;

- our relationships with local governments, regulators, authorities and the local community; and
- our success at managing risk associated with the above factors.

In addition, the expectations of our management with respect to our ability to meet the performance targets set by the CERC and applicable to us are also subject to risks arising from the inherent difficulty of predicting silt and sedimentation levels, water supply conditions, weather conditions and other factors which may disrupt our operations. Estimated installed capacity levels for our projects which are in the construction or implementation stage are based on internal surveys and investigations, including estimates of design energy based on hydrological studies and historical data, as well as studies commissioned from third party consultants and which are submitted to the relevant authorities for their approval.

Any forward-looking statement or information contained in this document speaks only as of the date the statement was made.

All of the forward-looking statements made herein and elsewhere are qualified in their entirety by the risk factors discussed in "Risk Factors" and other cautionary statements appearing in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Industry." These risk factors and statements describe circumstances that could cause actual results to differ materially from those contained in any forward-looking statement. We do not intend to update forward-looking statements made herein to reflect actual results or changes in assumptions or other factors that could affect those statements.

For a further discussion of factors that could cause actual results to differ, see section titled "***Risk Factors***" on page xiii. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither our Company, the Selling Shareholder, the BRLMs nor the members of the Syndicate, nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events. In accordance with SEBI requirements, our Company, the Selling Shareholder and the BRLMs will ensure that investors in India are informed of material developments until such time as the grant of trading permission by the Stock Exchanges for our Equity Shares Allotted pursuant to the Offer.

SECTION II
RISK FACTORS

An investment in equity shares involves a high degree of risk. Potential investors in our Equity Shares are urged to consider carefully the following specific investment considerations as well as the other material contained in this Red Herring Prospectus before making an investment in our Equity Shares.

*You should carefully evaluate each of the following risk factors (which are not intended to be exhaustive) and all other information set forth in this Red Herring Prospectus before deciding to invest in our Equity Shares. You should read this section in conjunction with the sections titled "**Our Business**" and "**Management's Discussion and Analysis of Financial Condition and Results of Operations**" on pages 58 and 127 respectively, as well as other financial and statistical information contained in this Red Herring Prospectus. Some of the following risk factors relate principally to the industry in which we operate and our business in general. Other considerations relate principally to general economic and political conditions, the securities market and ownership of our Equity Shares, including possible future sales of our Equity Shares. Unless otherwise stated in the risk factors set forth below, we are not in a position to quantify the financial or other risks mentioned therein.*

If any one, or some combination of the following risks actually occur, our business, prospects, profitability, financial condition, and results of operations could be materially and adversely affected. In such circumstances, the market price of our Equity Shares could decline and you may lose all or part of your investment.

Internal Risk Factors- Risks Relating to Our Business

1. We are presently involved in certain litigation proceedings and other legal, regulatory and arbitration proceedings.

There are certain outstanding legal proceedings involving our Company pending at different levels of adjudication before various courts, tribunals, authorities and appellate bodies in India. Should any new developments arise, such as changes in applicable Indian laws or rulings against us by appellate courts or tribunals, we may need to make provisions in our financial statements, which may increase our expenses and current liabilities. We can give no assurance that these legal proceedings will be decided in our favour. Any adverse decision may have a significant effect on our business, financial condition and results of operations. The following table summarizes certain litigation matters pending against our Company and the amounts which are in dispute:

S. No.	Nature of Proceeding	Number of Cases	Disputed Amount (Rs. million)
1.	Criminal cases	3	-
2.	Service Tax	1	123.58
3.	Income Tax	3	-
4.	Litigation relating to contracts	52	5902.07
5.	Litigation relating to land acquisition	89	673.31
6.	Service matters	13	-
7.	PIL	1	-
8.	Other civil proceedings	13	7.19
	Total	**175**	**6706.15**

There are currently three criminal proceedings pending against our Company and its employees. The first is a revision petition filed by the state of Himachal Pradesh in the Additional District and Sessions Judge, for the setting aside of the order passed by the Judicial Magistrate, Shimla, on the grounds that the proceeding initiated against our Company under Section 6 of the Himachal Pradesh Instrument (Control & Noises) Act, 1969 was wrongly and illegally dropped by the Judicial Magistrate, Shimla. The second action was instituted pursuant to Sections 336/337 and 304A of the Indian Penal Code against Mr. Davinder Wadhera, Additional General Manager of our Company in the Court of the Chief Judicial Magistrate, Kinnaur at Recong Peo, on the ground of the death of a labourer who was washed away due to alleged silt flushing conducted by our Company in the river near Chaura. The third action has been filed against our Company by an individual under Section 133 of the Code of Criminal Procedure, 1973 before the Sub-divisional Magistrate at Bhavanagar inter alia alleging that the houses in the Nigulsari village were being damaged as a result of the wrongful dumping of muck and heavy blasting carried out by our Company for NJHPS. These actions are currently pending against our Company, and there can be no assurance that they will be decided in our favour, nor can there be any assurance that similar proceedings will not be instituted against our Company in the future.

Further, the proceedings involving our Company substantially comprise disputes arising out of major civil contracts pertaining to the NJHPS and the Rampur Project and there is no assurance that similar proceedings will not be initiated against us in the future. We may also be exposed to claims for death and disability and other forms of litigation arising out of the development and construction of our hydroelectric projects, including with respect to the actions of our contractors.

For further information, see section titled "***Outstanding Litigation and Material Developments***" on page 146.

2. ***We may be subject to future litigation, including public interest litigation, instituted in connection with the environmental impact of our projects or in connection with land acquisition activities carried out with respect to such projects.***

Generally, the development and construction of a hydroelectric project may have significant consequences on the surrounding environment, including on the ecosystem of the affected areas, grazing, logging, agricultural activities, mining and land development. The ecological impact of a particular hydroelectric project on its surroundings typically depends on variables such as the size and flow rate of the river or tributary where the project is located, the climatic and habitat conditions that exist, the type, size, design and operation of the project, and the location of the project relative to other hydroelectric power projects. The construction of a hydroelectric project will generally result in significant changes to water levels in the river or tributary which has been dammed for the purposes of the project or where storage projects have been constructed, changes in sedimentation levels affecting both upstream and downstream habitat conditions, increased erosion and other environmental changes. The full extent of environmental consequences associated with a particular hydroelectric project is difficult to determine and estimate, and is also dependent on continuing environmental measures taken to address such consequences.

In addition, the development and construction of hydroelectric power projects in certain areas may require the displacement and/or relocation of local communities or may otherwise disrupt their activities and/or livelihoods, especially during the project construction period. One of the primary risks affecting the success of our hydroelectric power projects relates to the land acquisition process. We may acquire land for the development of our projects through the statutory land acquisition process under the Land Acquisition Act. Pursuant to the statutory land acquisition process, the Government would assume responsibility for acquiring the land required for the development of a project, although the cost of such land acquisition and related financing costs will be borne by the project developer. The land is transferred to us by the Government when all the designated land has been acquired, and we are required to make stage-based payments to the relevant Government authorities with respect to land acquisition costs for the land designated by us for acquisition.

There can be no assurance that we will not be subject to litigation and/or other forms of opposition from public interest groups, local communities or non-governmental organizations, including public interest litigation, in relation to the environmental impact of our projects or in relation to land acquisition and construction activities for our projects and the consequent displacement and rehabilitation of affected communities. Any such claims may delay or prevent us from implementing our projects, or may require us to bear substantial compliance, rehabilitation or other project-associated costs, or other significant liabilities, and may result in significant increases to our project development costs.

For example, public interest litigation has been instituted against us in Nepal, alleging that the tender procedures by which the Nepalese government selected our Company to develop and operate the Arun-III Project are unconstitutional and invalid. This is currently pending for adjudication before the Supreme Court of Nepal. In addition, there are presently 126 court proceedings pending against our Company with respect to land acquired for our various projects under the Land Acquisition Act, the majority of which relate to demands for increased compensation by landowners. For details see section titled "***Outstanding Litigation and Material Developments***" on page 146.

3. ***Our financial performance is dependent on the NJHPS, which is our only operational project, and we are dependent on the NJHPS for our revenues and operating cashflows and to finance the development of our other hydroelectric power projects.***

As at the date of this Red Herring Prospectus, all of our revenues are generated from the NJHPS located in the state of Himachal Pradesh on the Sutlej River, which is one of the principal tributaries of the Indus river in the southwest Himalayas. All of the power generated and supplied by our Company to our customers is presently generated by this project. Consequently, any interruption in the operations of the NJHPS would potentially have a greater negative impact on our Company than if our operations were spread among a larger number of facilities in India or in the rest of the world. In particular, any labor unrest, equipment failure, industrial accidents, difficulties in obtaining spare parts or equipment, natural disasters, compliance with applicable environmental, health and safety regulations, weather and other contributory climatic conditions, high sedimentation levels, excessively low or excessively high water supply or other factors which would result in any disruptions at the NJHPS, may have an significant and adverse impact on our business, operations, cashflows, profitability, financial condition and results of operations.

We are consequently dependent on revenues and cashflows from the NJHPS to finance the development and construction of our pipeline of projects. In the event of significant disruptions to our operation of the NJHPS, our ability to continue the development of our pipeline of projects or to service our debt obligations incurred for the purposes of financing the development of such projects may be significantly and adversely affected. If any of these events occur, our business, prospects, profitability, financial condition and results of operations may be materially and adversely affected.

4. Our only development and operational experience is with the NJHPS, and we have no other operating history from which investors may evaluate our business.

Except for the NJHPS, we currently have no other power projects in operation and we have no other significant operating history from which you can evaluate our business, future prospects and viability of the hydroelectric power projects which we have elected to undertake. There can be no assurance that we will be able to effectively develop and operate other hydroelectric power projects which are in our existing pipeline and our rights to develop and operate such projects may be revoked by the applicable authorities as a result of such failure. If this occurs, our business, prospects, profitability, financial condition and results of operation may be materially and adversely affected.

5. The Government has historically provided financial support for the development of the NJHPS, which may not be forthcoming in the future.

Historically, the Government has provided up to 75% of the equity funding for the NJHPS, in addition to a direct pass-through fixed-rate loan of Rs. 15,379.0 million, using proceeds of a loan obtained from the World Bank for that purpose. With effect from April 1, 2004, the CERC framed tariff regulations which imposed a maximum threshold of 30% for equity funding of a power project. While the Government provided us with financial support for the construction of the NJHPS, the Government did not provide us with financial support for the Rampur Project, the Government equity portion of which we have funded through our internal resources. There can be no assurance that the Government will provide us with any further equity funding, or that we will be able to generate adequate funds for the completion of all our current and planned future projects without the assistance and support of the Government.

6. We may be in breach of certain of our obligations with respect to the Luhri Project.

Under the terms of the agreement awarding us the rights to develop, own and operate the Luhri Project, we are required to establish a special purpose vehicle to develop, own and operate the Luhri Project within six months of the date of the agreement, or by March 26, 2009. A further requirement is for the equity in this special purpose vehicle to be held by our Company and the state government of Himachal Pradesh in the proportions 51:49.

We have not established the special purpose vehicle relating to the Luhri Project as at the date of this Red Herring Prospectus, due to commercial and administrative reasons. We have not applied for the waiver by the state government of Himachal Pradesh of our breach of this requirement. In addition, as a result of the conclusion of the Offer, we will not be able to comply with the provisions of the agreement for the Luhri Project requiring equity in the project company to be held in the proportions 51:49.

There can be no assurance that we will be able to obtain the consent of the state government of Himachal Pradesh to the waiver of these requirements, and if this occurs, our rights to develop, own and operate the Luhri Project may be revoked or rescinded. If this occurs, our business, prospects, profitability, financial condition and result of operations may be materially and adversely affected.

7. ***With effect from January 2011, we may be required to sell electricity generated at our new projects through competitive tender processes conducted by distribution licensees for long term procurement of power.***

Under the tariff policy prepared by the Government in 2006 (the "Tariff Policy"), which was brought into effect from January 2006, distribution licensees are required to procure their future energy requirements through competitive bidding processes. This requirement was waived in the case of new projects developed and commissioned by state-controlled or state-owned enterprises for a period of five years up to January 2011, or where the appropriate electricity regulatory commission was satisfied that such competitive bidding should be introduced for central and state public sector undertakings.

In the event that the exemption for new projects being developed and commissioned by central and state public sector undertakings is not extended, we will be required to participate in competitive bidding processes for the sale of energy generated by projects which have been newly developed and commissioned by us, against private developers and other public sector undertakings. There can be no assurance that we will be able to bid competitively against such competitors, or that we will be successful in winning the competitive bid and selling our power to distribution licensees through long term for such power purchase agreements. If this occurs, our business, prospects, profitability, financial condition and results of operation may be materially and adversely affected.

8. ***Our sales of electricity are regulated by directives issued by the Government and are subject to prevailing tariff policies and regulations, which are subject to change, and the switch to the current performance based tariff regime may adversely affect us.***

We are required to charge our customers at a tariff rate determined by the CERC for sales of electricity, which is also set forth in the PPAs between our Company and such customers. In January 2009, the CERC issued the tariff regulation applicable to our Company by way of notification no. L-7/145(160)/2008-CERC for the period between April 1, 2009 and March 31, 2014.

Under the new tariff regime, tariffs for the sale of electricity will be determined by reference to annual fixed charges, which are comprised of energy charges and capacity charges. Changes to how capacity charges are calculated may have a negative impact on the amount we recover as capacity charges. Under the previous tariff regime which applied between April 1, 2004 to March 31, 2009, capacity charges were determined as being equivalent to annual fixed charges less a primary energy charge, which was equivalent to the product of saleable primary energy (in MU) multiplied by the prime energy rate. To recover the full capacity charge, a power generating station was required to achieve a predetermined normative capacity index. Where the power generating station was unable to meet the targeted level, capacity charges would be recoverable on a pro rata basis. Under the new tariff regime, capacity charges for a hydroelectric power station will comprise 50% of annual fixed charges and will be calculated using a formula that takes into account the actual plant availability factor achieved, as compared to a prescribed project-specific annual plant availability factor.

Accordingly, under the current tariff regime, actual operation of the power generation facility is required to recover capacity charges, whereas under the previous tariff regime, recovery of capacity charges was based on available capacity rather than actual plant availability. This means that while we were previously able to recover capacity charges based on our available capacity, our ability to recover such charges will now depend on our actual production of electricity, which is in turn dependent on certain factors which may not be within our control, such as sedimentation, rainfall levels and availability of water supply. The switch to a performance-based tariff regime may have an adverse impact on our revenues, profitability, financial condition and results of operation should we not be able to achieve the predetermined annual plant availability factor for any reason.

In addition, electricity tariff regulations and policies are subject to revision and further changes by the CERC during the term of the respective PPAs. Any adverse changes in tariff regulations and policies or their interpretation by the CERC or Appellate Tribunal for Electricity may limit our ability to recover payments due to us or the tariff we are allowed to impose on our customers for sales of electricity produced by us, thereby adversely affecting our revenues, cash flows, profitability, financial condition and results of operations. See section titled "***Regulations and Policies in India***" on page 87.

9. ***Our sole operational project is located, and a significant proportion of our expected generation capacity will be located, in the state of Himachal Pradesh and we are therefore vulnerable to developments or events occurring therein.***

Our sole operational hydroelectric power project, the NJHPS and three of our pipeline projects are located in the state of Himachal Pradesh. Together with our current generation capacity of 1,500 MW under the NJHPS, we expect our aggregate generation capacity located in the state of Himachal Pradesh to account for approximately 53.3% of our total generation capacity, assuming the commissioning of all our existing pipeline projects.

Due to the actual and expected concentration of our power generation capacity in the state of Himachal Pradesh, any disruptions in the state of Himachal Pradesh, including disruptions due to seasonal weather conditions, political and social unrest and regional economic and labour conditions, or changes to the regulatory environment within Himachal Pradesh, would have a disproportionate effect on our business. Similarly, any environmental, seasonal or other factors which affect the Sutlej River and its tributaries, including excessive rainfall and silt would result in a disproportionate effect on our business and operations.

In addition, we are dependent on the continued good relations between our Company and state governmental authorities within the state of Himachal Pradesh to facilitate the timely and effective development of our pipeline projects allotted to us by the state government of Himachal Pradesh and for our ongoing business development and operations. In the event that the state government of Himachal Pradesh decides to withdraw its support of us, our business, prospects, financial condition and results of operation may be materially and adversely affected.

10. Our audit reports for the previous financial years ended March 31, 2005, 2006, 2007 and 2008 were subject to qualifications.

Our audited financial statements in previous years, which were audited by other auditors, were subject to qualifications which were cited in the relevant reports. These qualifications were reviewed by the current auditors of our Company in connection with their restatement of our financial statements for the relevant years. Qualifications/comments of Auditors for the five financial years – 2005, 2006, 2007, 2008 and 2009 ended March 31 as well as the nine months ended December 31, 2009 are set forth in the table below:

Sr. No.	Financial Year ended	Auditors' Comments / Qualifications	Impact on restated financials
1.	31.03.2009 31.03.2008 31.03.2007	Determination of final value of fixed assets in cases where final settlement of bills with the contractors is pending/under dispute. The impact of adjustments is not ascertainable.	As the final settlement amount cannot be determined, no adjustments have been made in the restated financial statements.
2.	31.03.2007	Provisional insurance claim of Rs.912.9 million against expenditure on restoration activity and adjustment of on account payment of Rs.500.0 million received from the Insurance Company and allocation thereof between Prior Period and current year Generation and Administration Expenses	As the insurance claim has been settled in F.Y. 2007-08, the adjustment of the amount received has been appropriately made in the year the expenditure on restoration of damages had been incurred.
3.	31.03.2006	i).Company has lodged a claim of Rs.941.0 million with Insurance Company for loss of machinery and restoration cost etc. On account payment of Rs.500.0 million received from Insurance Company has been shown as liability in absence of item wise details of settlement of claim ii).Company has also filed a claim for loss of profit amounting to Rs.3207.860 .million which is yet to be accepted/admitted.	As the insurance claim has been settled in F.Y. 2007-08, the adjustment of the amount received has been appropriately made in the year the expenditure on restoration of damages had been incurred.
4.	31.03.2006 31.03.2005	The value of fixed assets and depreciation are subject to adjustment on final determination/recovery/Levy of LD in accordance with Contract Agreement for works for project construction.	As and when, the contracts are finally closed, the amount of LD is determined and the adjustment is made in the accounts through prior period items. All such prior period items have been adjusted in respective years.
5.	31.03.2005	Total Project cost exceeded the approved revised cost (RCE-II) of the project Rs.76,663.1 million as at June, 1998 price level with commissioning schedule of March, 2002. Revised cost estimate (RCEIII) is reported to be under approval by the Government.	Confirmatory statement and hence no restatement is required
6.	31.03.2005	The land is capitalized on provisional basis pending determination of final land value and consequential adjustment thereof. Further, part of the land acquired and the Title Deeds of the buildings are yet to be transferred/mutated/recorded in the name of the Company	Cannot be quantified, hence no adjustments have been made in the restated financials.
7.	31.03.2005	Provision has not been made for Assets declared surplus / obsolete valuing Rs.9.2 million as on the Balance Sheet date. Besides, scrap has been accounted for on realization basis.	No restatement has been made as the data regarding scrap value of such assets is not readily available. Value of scrap sold is not material

			to effect restatement.
8.	31.03.2005	In supply cum erection contracts, values of shipments have been accounted for on pro-rata basis on number of boxes as material in transit and CWIP on the balance Sheet date.	Values fully ascertained subsequently and necessary accounting adjustments made.
9.	31.03.2005	The liability, if any, arising on account of delay in deduction of Income Tax at source at the year end remains unadjusted pending final determination.	As the amount cannot be determined, no adjustment has been made in the restated financial statements.
10.	31.03.2005	Loans and Advances include Rs.29.5 million recoverable on account of proportionate cost of inter connection facility at Jhakri Pot head Yard which will be shared by Baspa-II HE Project (M/s. Jai Prakash Hydro Power Ltd.) for evacuation of power.	Amount recovered subsequently and necessary accounting adjustments made. No restatement required.
11.	31.03.2005	Loans and Advances include Rs.16.1 million towards amount recovered by Income Tax Department towards TDS on deposit made with High Court HP, Shimla for contesting the case of enhancement of compensation for land including interest. The Company is contesting the recovery with ITAT and High Court of HP, Shimla. The Company deducted TDS on subsequent deposits during the year, deposited the same with Income Tax Department and issued TDS Certificates in the name of joint claimants instead of individuals as required by the Income Tax Act, 1961.	As the amount cannot be determined, no adjustment has been made in the restated financial statements.
12.	31.03.2005	Sundry debtors include Rs.184.0 million on account of unrealised debtors towards sale of 12% free power belonging to Government of Himachal Pradesh. Due to pendency of mutual formal agreement and commercial terms for sale of free power on their behalf, an amount of Rs.115.9 million realized has not been paid to them as at the year end.	Amounts adjusted subsequently and necessary accounting adjustments made. No restatement required.
13.	31.03.2005	Advances for Capital works and Loans and Advances include Rs.276.4 million towards EOT claim and Rs.961.3 million towards others from contractors are on account of contractual disputes and is subject to consequential adjustment on settlement of disputes.	As and when, the disputes are settled, the amount of claims is determined and the adjustment is made in the accounts through prior period items. All such prior period items have been adjusted in respective years.
14.	31.03.2009 31.03.2008 31.03.2007 31.03.2006 31.03.2005	Although the Company has an Internal Audit department and also some of the areas got audited by a firm of Chartered Accountants, scope of work covered, reporting system, compliance thereof need to be further strengthened. Subject to above the existing internal audit system is commensurate with its size and nature of its business.	Strengthening of the internal audit system is a continuous process. This is only a statement required under CARO and does not need any restatement.
15.	31.03.2009	Undisputed statutory dues including Provident Fund, etc. have been generally deposited by the Company in time with appropriate authorities except in the cases of: i) petty contractors' labour where P.F. Code has not been assigned by the appropriate authorities, and ii) R&D Cess tax liability of Rs.9.6 million.	Now SJVN has got sub-code issued and compliance is being made through sub-code in respect of these contractors. Matter pending settlement. Hence no restatement required.
16.	31.03.2009	There are disputed amounts of: i) Rs.0.1 million payable in respect of excise duty (dispute pending at CESTAT), and ii) Rs. 123.6 million in respect of Service Tax (dispute pending with Commissioner, Excise & Service Tax, Chandigarh)	Since these matters are under dispute, provision / payment will be made on settlement. No restatement required.
17.	31.03.2008 31.03.2007 31.03.2006 31.03.2005	The Company is regular is depositing undisputed statutory dues including Provident Fund etc. with appropriate authorities except in the cases of petty contractors' labour where P.F. Code has not been assigned by the appropriate authorities. There is a disputed amount of Rs. 0.1 million payable in respect of excise duty payable to Department of Excise & Customs.	Now SJVN has got sub-code issued and compliance is being made through sub-code in respect of these contractors. As the matter is under dispute, provision / payment will be made on settlement. Hence, No restatement required.
18.	Nine months ended 31.12.2009	Sales have been accounted for provisionally at the tariff approved by CERC as applicable on 31.03.2009, instead of as per the new norms notified by CERC applicable with effect from. 01.04.2009, resulting in understatement of profit for nine months by Rs.413.4 Million.	No restatement has been made as the sales have been accounted for as per the Accounting Policy No. 11.1 of the company. The difference will be accounted for after the final determination of tariff by the CERC as per the new norms.
19.	Nine months ended 31.12.2009	Sale/Lease Deeds in respect of Land & Buildings valuing Rs.23.5 Million are yet to be executed in favour of the company.	Factual statement and hence no restatement is required.

11. We have significant contingent liabilities, and have made no provision for such liabilities in our financial statements.

We have not made provision for certain contingent liabilities. Details of such contingent liabilities are set forth below:

(Rs. in million)

Particulars	**For the nine months ended December 31, 2009**
1. Claims against company not acknowledged as Debt:	
a) Capital Works	5,429.7
b) Land Compensation	144.9
c) Disputed Service Tax Demand	123.6
d) Others	2.0
Sub Total	5,700.2
2. Estimate amount of contracts remaining to be executed on	10,941.8
capital account (net of adv.) not provided for:	
Total	**16,642.0**

12. Recent announcements by the Government relating to increased wages for government employees will increase our expenses.

In November 2008 and April 2009, the Government issued two memoranda, pursuant to which it was proposed to increase the pay scales applicable to board members and executive officers of government enterprises, including our Company. These memoranda also required government enterprises to implement salary increases for employees below the executive level, as determined by the boards and management of the relevant government enterprises. Salary increases for all eligible government employees were stated to be retrospectively effective from January 2007. It was further stated that these revisions would be made by way of a presidential directive for each central public sector undertaking separately by the relevant administrative department or ministry. We may therefore be required to increase the pay of our employees retrospectively upon the issuance of such a presidential directive.

As of December 31, 2009, we have made total provisions of Rs. 682.9 million for these retrospective payments, based on estimates made in compliance with the memoranda issued by the Governmen

13. Significantly all of our revenue is derived from sales of power to state electricity boards and distribution licensees.

For the year ended March 31, 2009 and the nine month period ended December 31, 2009, approximately 91.19% and 94.25% respectively of our total revenues were attributable to our sales of electricity to state electricity boards and distribution licensees pursuant to long term power purchase agreements entered into between us and such state electricity boards. We are obliged to supply power to these state electricity boards and distribution licensees pursuant to the terms of the allocation letters issued by the Government and the terms of our PPAs with them. In addition, we are required to provide approximately 12% of our annual generation to the state of Himachal Pradesh free-of-cost, and an additional 1% of generation from our operational projects located in the state of Himachal Pradesh to a state-established local development fund.

Under the terms of our PPAs and the allocation letters issued by the Government, we commit part of our annual electricity production to each applicable state electricity board or distribution licensee at tariff rates determined by the CERC in accordance with their guidelines. We are not entitled to sell energy generated by the NJHPS in the open market or based on open market energy prices under prevailing Government policies. As such, we are limited in our ability to benefit from increases in energy market prices.

Pursuant to the terms of our PPAs, our invoices for power supplied to our customers are currently secured through letters of credit. There can be no assurance that these state electricity boards or distribution licensees will always be required to, or be in a position to, secure their payments to us. In the event that we experience any defaults or delays in payments for electricity supplied by us to these parties, our profitability, cash flows, financial condition and results of operations may be materially and adversely affected.

14. We may be required to allocate an additional one percent of the power generated by the NJHPS to a local development fund established by the state government of Himachal Pradesh.

Based on a cabinet decision of the state government of Himachal Pradesh (as published in Press Note No.884/2009-PUB), with effect from September 9, 2009, we are required to provide one percent of the aggregate energy generated by our operational power projects located in the state of Himachal Pradesh to a local area development fund which has been established by the state government of Himachal Pradesh for the purposes of providing a regular stream of revenue for income generation and welfare schemes, creation of additional infrastructure and common facilities. This is in addition to the 12% free power already being provided.

As of the date of this Red Herring Prospectus, our only operational project in the state of Himachal Pradesh is the NJHPS. We are currently not providing the required one percent of energy generated by the NJHPS to the local area development fund and may be required to do so once the decision of the cabinet is communicated to us. There can be no assurance that we will be able to obtain the waiver by the state government of Himachal Pradesh with respect to our obligations associated with the NJHPS under the cabinet decision to the local area development fund and in the event that we are unable to obtain such waiver, we may be required to meet our obligations to provide such energy with retrospective effect from the date of the cabinet decision or as directed by the state government of Himachal Pradesh, which will adversely affect our revenues, profitability, financial condition and results of operations.

15. Our current business strategy involves, among others, the diversification of our operations into various alternative energy projects, such as wind power and solar energy, in which we have no prior operational history.

Our current business strategy requires, among other things, the diversification of our business operations into various alternative energy projects, such as wind power and solar energy projects. We are currently in the process of evaluating the feasibility of such alternative energy projects, and have obtained board approval to engage professional consultancies with the appropriate technical knowhow and expertise, to identify any suitable business opportunities in these alternative energy sectors. We have also agreed to participate in a joint venture involving the construction and operation of part of a power transmission line connecting Nepal and India. We anticipate that we would be dependent on third party contractors and consultants in the initial stages of such diversification until we have internally developed the specialized technical knowledge, skills and expertise required. We currently have no prior experience in designing, constructing or operating such alternative energy projects or in the development or operation of transmission lines, and there can be no assurance that we will be able to successfully leverage our operational expertise with hydroelectric power projects in these sectors, or that we will be successful in identifying or tendering for alternative energy projects or other energy-related projects given our lack of prior experience in the respective fields.

16. We may be restricted from engaging in certain business activities or undertaking certain corporate or other actions under the terms and conditions governing our indebtedness to the World Bank and other financial institutions, and future financings may place restrictions on our operations.

There are restrictive covenants in the agreements we have entered into with the World Bank and with certain banks and financial institutions for our borrowings. These covenants typically require us to inform lenders prior to undertaking certain corporate actions such as new share issuances, incurrences of additional debt, creation of additional encumbrances on our assets and making corporate guarantees, and restricts, among other things, our ability to incur or guarantee additional indebtedness and issue stock, create or incur certain liens, make certain payments such as dividend payments or other distributions, prepay or redeem subordinated debt or equity, make certain investments and capital expenditures, create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to and on the transfer of assets, sell, lease or transfer certain assets, engage in certain transactions with affiliates and consolidate or merge with other entities, subject to certain exceptions and qualifications as set forth in the relevant documentation. These covenants could limit our ability to finance our future operations, project developments and capital needs and our ability to pursue new projects or other business opportunities and activities which may be in our interest. For further details, see section titled "***Financial Indebtedness***" on page 123.

Certain of our financing agreements also contain financial covenants that require us to maintain, among other things, a specified debt to equity ratio and an asset coverage ratio. Further, our loan agreements with the Life Insurance Corporation of India and the Rural Electrification Corporation Limited provide that, in the event that such lender is of the view that the business of our Company is conducted in a manner contrary to public policy or in a manner prejudicial to such lender's interest, the relevant lender shall have the right to require our Company to restructure our organizational structure, including through formation of management committees with such powers and functions that are considered suitable by such lender.

There can be no assurance that our business will generate sufficient cash to enable us to service our debt, comply with our covenants or to fund our other liquidity needs and capital expenditure requirements, or that we will be able to refinance our debt on commercially reasonable terms or at all.

We also expect to raise additional debt financing in order to develop our pipeline of existing projects, as well as future new projects. The terms of these financings may place significant restrictions on us and may, among other things, increase our vulnerability to general adverse economic and industry conditions, limit our ability to pursue our growth plans, require us to dedicate a substantial portion of our cash flow from operations to payments on our debt, thereby reducing the availability of our cash flows to fund capital expenditures and other general corporate purposes or limit our flexibility in planning for or reacting to changes in our business and industry, either through the imposition of restrictive financial or operational covenants or otherwise.

17. We are exposed to interest and exchange rate fluctuations.

All of our revenues are denominated in Rupees while a significant portion of our outstanding debt obligations are or are expected to be denominated in foreign currencies such as the U.S. dollar. As of December 31, 2009, approximately 34.8% of our aggregate indebtedness is denominated in foreign currencies. We also expect to incur substantial indebtedness denominated in foreign currencies in order to finance the development of our existing pipeline of projects. In addition, all our unsecured borrowings are denominated in foreign currencies. Accordingly, any depreciation of the Rupee against the U.S. dollar or other foreign currencies in which our future indebtedness may be denominated, will significantly increase our funding costs. If we are unable to recover the cost of foreign exchange variations through our tariff pricing or through undertaking hedging activities, our profitability, financial condition and results of operations may be materially and adversely affected.

18. Certain of our hydroelectric power projects are cascading projects.

Three of our hydropower projects in the state of Himachal Pradesh, including the NJHPS, the Rampur Project and one other pipeline project, are located on the main Sutlej river or its tributaries and are expected to have an aggregate generation capacity of up to approximately 2,687 MW. The NJHPS and the Rampur Project are cascading projects, and the Rampur Project is dependent on the NJHPS for its supply of water. Consequently, if operations at the NJHPS are disrupted, concurrent disruptions may result at the Rampur Project.

19. We have certain outstanding tax obligations.

In October 2008, the Commissioner of Central Excise, Chandigarh, issued a show cause notice (No. V(STC) 15/CE/ADJ/69/2008/8245) for service taxes payable of approximately Rs. 133.3 million, including interest and penalty charges. The show cause notice alleges failure to deposit service tax on payments made in convertible foreign exchange to foreign consultants, contractors and experts located outside India. In January 2009, we responded to the notice, admitting a service tax liability of Rs. 9.7 million and paid such amount to the relevant authorities. The outstanding amount of Rs. 123.6 million is currently being disputed by our Company, and the matter is currently pending before the tax authorities.

20. We are dependent on the Government for the acquisition of land for our projects.

The Land Acquisition Act, 1894 sets forth provisions for the compulsory acquisition of land by the government for any “public purpose” or for use by a corporate body. The term “public purpose” has been defined to include town or rural planning, planned development of land from public funds pursuant to any government scheme or policy and development schemes sponsored by the government, including acquisitions for a corporation owned or controlled by the State. For a corporate body which is not owned or controlled by the State, prior permission from the appropriate government is required, along with an executed agreement with the appropriate government. Any person having an interest in such compulsorily acquired land has the right to object and the right to fair and just compensation. The value of compensation for the property acquired depends on several factors, which, among other things, include the market value of the land and damage sustained by the person in terms of loss of profits.

We are not involved at any stage of the land acquisition process and accordingly, have no control over the price to be paid for the acquisition of such land or negotiations with landowners. There can be no assurance that the statutory land acquisition process will not result in our having to pay a price higher than the estimated price for acquiring land. In addition, we may be exposed to litigation with respect to land acquired for our Company through the statutory land acquisition process. For further details, see section titled "***—Internal Risk Factors— Risks Relating to our Business— We may be subject to future litigation, including public interest litigation, instituted in connection with the environmental impact of our projects or in connection with land acquisition activities carried out with respect to such projects***" on page xiv.

There can be no assurance that the Government will be able to successfully acquire the land required for the construction of our hydroelectric power projects in a timely manner, at a reasonable price, or at all. Any delays in the land acquisition process, including delays due to the unwillingness of landowners to sell their land or opposition from affected communities or public interest groups, may result in construction delays for a hydroelectric project, which may in turn result in increased project costs and delay in the commencement of commercial operations of that project. In addition, certain landowners may dispute the adequacy of compensation which has been determined by the relevant authorities, and may pursue legal action against our Company. We may also face claims by persons who have been displaced by the land acquisition process. For further details see ***"—Internal Risk Factors—Risks Relating to Our Business—We are presently involved in certain litigation proceedings and other legal, regulatory and arbitration proceedings"*** on page xiii. If this occurs, the land acquisition process may be delayed, which would in turn delay the development of the affected project, and our business, prospects, profitability, financial condition and results of operations may be materially and adversely affected as a consequence.

In addition, we have been awarded rights to develop and operate the Arun-III Project, a hydroelectric power project to be located in the Sankhuwasabha district in Nepal. Going forward, we intend to leverage on our technical expertise in developing and operating hydroelectric power projects to obtain new projects within India as well as in surrounding regions and in Asia, and we will be exposed to risks associated with the land acquisition process in the countries in which we operate.

21. Some projects which may have originally been awarded to us, may be transferred to other of our competitors by the Government or state governments.

There have been instances in the past where state governments, or the Government, has decided to transfer rights to construct and operate hydroelectric power projects which were originally awarded to certain parties, to other competing power developers. For example, in July 2009, the Government, through the Ministry of Power, pursuant to its minutes of meeting dated July 6, 2009, decided to transfer the 1500 MW hydroelectric power project to be located in the state of Manipur on the Barak river, or the Tipaimukh Project, from the original developer to a joint venture company to be established by NHPC Limited, the state of Manipur, and our Company. In addition, in October 2009, the state government of Himachal Pradesh notified our Company that it would be transferring the rights to construct and operate the 1,020 MW hydroelectric power plant to be located in Khab to the Himachal Pradesh Power Corporation. We were originally awarded the rights to construct and operate this hydroelectric power project pursuant to a letter dated December 16, 2004 issued by the Principal Secretary (Power) to the state government of Himachal Pradesh (Reference Number. (2)8/2001/III/Shimla-2). We have sought the reconsideration of this decision by the state government of Himachal Pradesh in relation to this transfer and at the date of this Red Herring Prospectus, no response has been received by our Company from the state government of Himachal Pradesh.

There can be no assurance that projects which have been awarded to us will not be transferred to other of our competitors pursuant to Government or state government decisions in the future. If this occurs, our business and prospects may be materially and adversely affected.

22. We may not be able to fulfill certain of our obligations with respect to the Dhaulasidh Project in the future.

Under the terms of the Memorandum of Understanding dated October 27, 2008 entered into by our Company with the state government of Himachal Pradesh for the purpose of developing and maintaining the Dhaulasidh Project, the equity funds for the Dhaulasidh Project will be contributed in the ratio of 51:49 by the Government (through our Company) and the state government of Himachal Pradesh (through our Company and individually) respectively. To achieve the same, funding will be provided by our Company from internal cash flows and the difference will be funded by the state government of Himachal Pradesh through equity subscriptions, so as to bring its overall equity contribution in the Dhaulasidh Project up to 49%.

There can be no assurance that the equity contribution in the aforesaid ratio will be made by the Government and the state government of Himachal Pradesh. If this occurs, our rights to develop, own and operate the Dhaulasidh Project may be revoked or rescinded and our business, prospects, profitability, financial condition and result of operations may be materially and adversely affected.

23. We may not be able to continue to meet the annual performance targets set by the Government.

At the beginning of each financial year, we agree certain performance targets relating to our operations and financial performance with the Government, the terms of which are set out in memoranda of understanding executed between the Government and our Company. There can be no assurance that we will continue to meet these performance targets, and as a consequence of such failure, may lose our status as a Mini-Ratna public sector company. This would result in our loss of powers delegated to us by virtue of being classified as a Mini-Ratna public sector company.

In addition, payment of performance-related pay to our management and employees is conditioned upon our fulfilment of certain performance targets. In the event that we do not meet our minimum performance targets, such performance-related pay will not be paid to our employees, and we may face difficulties in retaining and attracting employees for our operations in the future.

24. We may be liable for damages under an indemnity agreement with the Power Grid Corporation of India in the event that we experience delays in the construction of our projects.

Pursuant to the terms of an indemnity agreement entered into by our Company and the Power Grid Corporation of India ("PGCIL"), we may be liable to pay certain damages in the event that there are delays in the construction of our projects and the transmission lines constructed by the PGCIL are commissioned on schedule. Similarly, the PGCIL would be liable to pay certain damages in the event that our projects are completed on schedule and there are delays in the construction of transmission lines by the PGCIL for the evacuation of power from such operational projects. If we are found liable for such damages, or if there are delays in the construction of transmission lines to our projects which would result in our not being able to evacuate generated energy into the grid, our profitability, financial condition and results of operation may be materially and adversely affected.

25. We may not be able to obtain or maintain all approvals and licenses required for the operation of our business or the construction of our projects.

We require certain approvals, licenses, registrations and permissions from time to time for operating our business. In particular, we are required to obtain certain approvals and licenses at each stage of development of our projects

Sr. No.	**Project**	**Approval**	**Approving/ Licensing Authority**	**Description**
1.	**Naitwar Mori Hydro Electric Project**	Environmental Clearance	Uttarakhand Environment Protection and Pollution Control Board (the "**UPCB**")	By way of letter dated February 11, 2009 ("**Letter**"), the Company submitted the EIA/ EMP report and other documents to UPCB .In the Letter, the Company requested UPCB to conduct a public hearing for grant of environment clearance.
2.		CAT Plan	Office Chief Wildlife Warden (the "**CWLW**")	1. CAT Plan of the catchment area was submitted to Director, Rajaji National Park, Dehradun by Deputy Director , Govind Wild Life Sanctuary, National Park Purola, Uttarkashi on November 20, 2009; 2. The CAT Plan was further submitted to Chief Forest Conservator (Wild Life)/ CWLW by Director, Rajaji National Park, Dehradun on December 26, 2009 for necessary action; and. 3. The CAT Plan was further submitted by CWLW on December 31, 2009 to Chief Forest Conservator, Uttarakhand for his approval which is presently pending.

Sr. No.	Project	Approval	Approving/ Licensing Authority	Description
3.		Land Acquisition		
		(i) Diversion of Forest Land		1. Forest conservator (Yamuna circle), Uttarakhand, submitted the case files pertaining to grant of lease of forest land admeasuring 32.002 Hectares to the Company for 30 years, to Nodal Officer-cum-Chief Conservator of Forests on 16.09.09 for taking necessary action. 2. Further by way of letter dated December 30, 2009, the Company submitted five copies of the fact sheet related to aforesaid lease to Nodal Officer-cum-Chief Conservator of Forests. 3. Application dated July 21, 2009 made to the Divisional Forest Officer, Tons Forest Department, Purola, Uttarkashi, Uttarakhand, for diversion of forest land admeasuring 7.88 Hectares and situated in Banol, Nasna and Bhasla Blocks of River Tons, for mining purposes.
4.		Approval for Magazine License under Explosive Rules 1983	Chief Controller of Explosive, Petroleum and Explosive Safety Organisation ("**Chief Controller**").	Application dated February 1, 2010 bearing reference no. SJVN/GM/D.dun/10-719 has been made by the Company to the Chief Controller for grant of explosive license for installation of permanent explosive magazine at Jakhyani.
5.	**Jhakol Sankri Hydro Electric Project**	CEA clearance of DPR	CEA	The DPR is under preparation.
6.		Explosive license	Chief Controller of Explosive, Petroleum and Explosive Safety Organisation	Identification of land is under process. We are proposing to make the application to Controller of Explosives/Licenses once the land is identified.
7.		Diversion of forest land	Divisional Forest Officer ("**DFO**")	Identification of land required for the Project is under process. We are proposing to make the application to concerned DFO after the land is identified.
8.		Pre Environmental Clearance	MoEF	Application dated October 16, 2007 bearing reference no. SJVN/ BD&MS/ Uttarakhand/ JSHEP/2007/ has been made by the Company to the Additional Director, MoEF for grant of pre environment clearance which is presently pending.
9.		Wildlife clearance	Department of Forests, GoU	Application dated November 10, 2008, bearing reference no. SJVN/BD&L/DDUN/JSHEP (WL) 08- 200-05 has been made by the Company to the Chief Conservator of Forests and Chief Wildlife Warden, GoU for grant of wildlife clearance which is presently pending.

Sr. No.	Project	Approval	Approving/ Licensing Authority	Description
10.		Consent to Establish and Consent to Operate under Water (Prevention and Control of Pollution) Act 1974 and the Air (Prevention and Control of Pollution) Act 1981 and Hazardous Wastes Management Rules	MoEF	We are proposing to make the application after the grant of environment clearance.
11.	**Devsari Hydro Electric Project**	CEA clearance of DPR	CEA	DPR was submitted to CEA for clearance by way of letter dated January 14, 2009 bearing reference no. CC/CP/UKD/2008-2706, and the same is pending clearance.
12.		Environment and Pollution Clearance	Uttarakhand Environment Protection and Pollution Control Board, Dehradun ("**UPCB**")	By way of letter dated August 31, 2009, bearing reference no. SJVN/DHEP/DGM/09-1725 ("**Letter**"), the Company submitted the draft EIA/ EMP reports to UPCB. In the Letter, the Company requested UPCB to conduct a public hearing in order to enable the Company to submit the final EIA/ EMP report to MoEF for grant of environment clearance.
13.		Diversion of forest land	Divisional Forest Officer, Badrinath Forest Division, Gopeshwar ("**DFO**")	Application dated August 31, 2009 bearing reference no. DGM/DHIP-1802A, was made to DFO, Badrinath Forest Division, Gopeshwar, for diversion of forest land admeasuring 211.58 Hectares.
14.		Mining clearance from State Mining Department	State Mining Department, GoHP	The quarries have been identified. The samples from proposed quarries have been delivered to Central Soil and Material Research Station, Ministry of Water Resources, GoI ("**CSMRS**") on June 12, 2009. The final report from CSMRS is awaited. The application for mining clearances shall be processed after receipt of final report.
15.		Consent to Establish and Consent to Operate under Water (Prevention and Control of Pollution) Act 1974 and the Air (Prevention and Control of Pollution) Act 1981 and Hazardous Wastes Management Rules	MoEF	We are proposing to file the applications for grant of consent to establish and consent to operate.
16.	**Luhri Hydro Electric Project**	Submission of DPR for TEC/ concurrence of CEA.	CEA	DPR has been submitted to the CEA on November 10 2008, for TEC and is under process.

Sr. No.	Project	Approval	Approving/ Licensing Authority	Description
17.		(i) Diversion of Forest Land	Divisional Forest officer ("**DFO**")	1. Application dated January 30, 2008 bearing no. LHEP/R&R/LAD/L-9/08-6676-84 has been made to the DFO, Shimla, District Shimla for diversion of 33.4 Hectares of land; 2. Application dated January 29, 2008 bearing no. LHEP/R&R/LAD/L-9/08-6638-46 has been made to the DFO, Anni, At Luhri, District Kullu, Himachal Pradesh for diversion of 42.36 Hectares of land; 3. Application dated January 29, 2008 bearing no. LHEP/R&R/LAD/L-9/08-6648-56 has been made to the DFO, Rampur, District Shimla, Himachal Pradesh for diversion of 33.95 Hectares of land; 4. Application dated January 30, 2008 bearing no. LHEP/R&R/LAD/L-9/08-6658-66 has been made to the DFO, Karsog, District Mandi, Himachal Pradesh for diversion of 65.64 Hectares of land. 5. Application dated January 30, 2008 bearing no. LHEP/R&R/LAD/L-9/08-6667-75 has been made to the DFO, Kotgarh, District Shimla, Himachal Pradesh for diversion of 7.86 Hectares of land.
18.	**Dhaulasidh Hydro Electric Project**	Submission of FSR.	Department of MPP and Power, GoHP	FSR was submitted to GoHP on August 31, 2009.
19.		Diversion of Forest Land	Divisional Forest Officer, Palampur, District Kangra (H.P.) ("**Divisional Forest Officer**")	Application dated January 22, 2010 bearing no. SJ/DSHEP/SM/Const./2010/21-23, has been made to the Divisional Forest Officer for deputation of their representatives to assist the Company in counting the trees and the completion of other formalities for diversion of forest land.
20.		Registration under the CLRA	Labour Officer, Bilaspur, District Bilaspur, Himachal Pradesh	Application dated January 1, 2010 bearing no. DSHEP/P&A/2010-540/1 made to Labour Officer for registration under CLRA.

Government and state approvals and licenses are typically subject to numerous conditions, some of which are onerous and require us to make substantial expenditures. There can be no assurance that we will be able to obtain these approvals on a timely basis or at all, or that such approvals will not be granted subject to certain conditions or restrictions which may require us to incur significant costs of compliance. In addition, if we fail to comply with any of the conditions of any such licenses or approvals, or if the relevant regulatory authorities claim we have not complied with such conditions, our licenses or approvals may be suspended, revoked or terminated, penalties may be imposed or we may be required to undertake remedial action or to suspend our operations until such time as investigations or remedial action is completed. If this occurs, our business, prospects, financial condition and results of operation may be materially and adversely affected.

26. We have not obtained approval for the recovery of certain project costs incurred in the development of the NJHPS.

We are required to obtain approval of project cost estimates for the construction of a hydroelectric power project from the relevant state government (in the case of hydroelectric power projects with estimated project costs of up to Rs. 5,000 million) and from the CEA (in the case of hydroelectric power projects with estimated project costs which exceed Rs. 5,000 million). After the project has been commissioned, certain additional claims may be received for work done during the construction period. For example, with respect to the NJHPS, we have received claims from our major contractors relating to civil works carried out on the NJHPS of approximately Rs. 6,376.8 million in aggregate, of which four awards have been made in favour of such claimants of approximately Rs. 1,393.1 million in aggregate, and provision for such claims has been made in our financial statements. We intend to apply to the PIB for approval of revised project cost estimates and thereafter, to the CERC to recover payments made for these claims as part of annual fixed charges. There can be no assurance that we will be able to obtain such approval for any application made to recover these costs as part of our annual fixed charges for the NJHPS. In addition, we may not be able to obtain approval for the recovery of certain costs, or may be allowed to recover only part of such costs. If we are unable to obtain approval for project costs incurred by us, or to obtain such approval in a timely manner, we will not be able to pass through such costs through our electricity tariffs and will be required to recognize these costs as losses on our balance sheet. If this occurs, our profitability, financial condition and results of operations may be materially and adversely affected.

In addition to this, we may apply for the recovery of certain capital expenditures as annual fixed charges through our electricity tariffs, on an ongoing basis during the operations of a hydroelectric power project, such as when we replace plant equipment and machinery due to wear and tear. If we are unable to obtain approval for such costs to be included in the determination of annual fixed charges on which our tariffs for electricity sales are based, we will be required to recognize these costs as losses, and our profitability, financial condition and results of operations may be adversely affected as a result.

27. The development of hydroelectric power projects may be subject to unexpected complexities and delays, which may cause the actual timeframes of such project development to differ significantly from original estimates.

We typically perform feasibility studies on each project proposal before determining whether we wish to proceed with undertaking the development of a particular hydroelectric power project which has been awarded or proposed to us. These studies generally include certain estimates and assumptions, in particular, as to estimated project costs and the construction period required. The estimates and assumptions used in our preparation of feasibility studies are based on certain tariff regulations published by the CERC. Typically, a preliminary feasibility study is prepared with respect to each proposed hydroelectric power project setting out, among other things, the proposed construction design and project cost estimates. This is submitted to the CEA or relevant state governments for approval. Upon approval of the feasibility study report, further surveys and investigations are conducted, and a detailed project report is prepared and submitted to the CEA. We are required to obtain the approval of the CEA with respect to proposals to develop and operate hydroelectric power projects where the estimated project costs would be in excess of Rs. 5,000 million, and the approval of the relevant state government for hydroelectric power projects with estimated project costs of up to Rs. 5,000 million.

We supervise construction work carried out on our hydroelectric power projects, and select sub-contractors for the purposes of constructing our projects based on a competitive tender process. There can be no assurance that bids received from third party contractors will match the project cost estimates as approved by the CEA and the PIB. If we are unable to obtain approval for the revised amounts to be included as annual fixed charges recovered under our electricity tariffs, or experience significant delay in doing so, we will not be able to recover such costs and our profitability, financial condition and results of operation may be affected as a result.

There are a number of factors which are characteristic to the development and construction of hydroelectric power projects which may cause significant delays or cost overruns:

- Opposition from local communities, public interest groups or non-governmental organizations;
- Delays in the land acquisition process and associated resettlement and rehabilitation issues;
- Geological, hydrological and climatic conditions;
- Raw material and labor shortages or increased costs associated therewith;
- Delays in obtaining all requisite environmental and other governmental clearances;
- Availability of financing;
- Remote location of project sites, necessitating the construction of transportation access to such sites;
- Non-viability of a project or modification to the project necessitated due to geological or feasibility issues;
- Natural disasters such as earthquakes, landslides or flooding; and
- Damage or injury to third parties.

We have in the past experienced significant delays in the completion of the NJHPS due to unforeseen variances in the geological rock formations, which were only discovered during the excavation process. For example, while excavating the site for the head-race tunnel for the NJHPS, a hot water ingress was encountered, which necessitated special measures to be taken, delaying the completion schedule for the project. In addition, shear zones containing soft and crushed rock were encountered in several locations on the project site, in particular at the Rattanpur adit, where the shear zone was particularly wide. These unforeseeable geological conditions posed unique challenges and necessitated substantial changes in our construction methodology for these sites, as well as in the types of construction equipment and support mechanisms used at these sites. This created significant delays while obtaining the construction equipment required, as well as in the formulation of the construction methodology to be used at these sites.

We have also experienced project delays in the construction of the NJHPS due to weather and climatic conditions. For example, in August 2000, unprecedented rainfall in the upper reaches of the catchment area of the Sutlej river resulted in a flash flood, which washed away bridges and a dam constructed in the project area, as well the camps constructed in the project area, and flooded the underground powerhouse where erection of equipment was at an advanced stage. Based on a report dated November 2006 issued by the Ministry of Power on the time and cost overruns relating to the NJHPS, as a result of this incident, there were time overruns on various project components of between 12 months and 44.50 months.

Due to the factors above, in particular, the inability to accurately detect geological faults or other formations which may necessitate modifications to the project design or result in delays to the project completion date or increased project costs, it is not possible to predict with any certainty when, if or to what extent a project currently under development or a planned future project will be completed. In the event that we undertake a project which cannot be completed due to unforeseen circumstances beyond our control, our business, prospects, financial condition and results of operations may be materially and adversely affected.

28. The development of hydroelectric power projects typically requires substantial initial capital expenditures.

The development of hydroelectric power projects is capital intensive and typically requires a longer period of time as compared to other power projects such as thermal power projects.

We expect to finance our existing pipeline of projects through financing arrangements with third party lenders, as well as through internal cash flows. There can be no assurance that we will be able to obtain such financing, or to do so on commercially acceptable terms or in a timely manner. In addition, even if we are able to obtain financing for our projects, lender financing commitments and drawdown of funds pursuant to such financing are typically subject to the fulfilment of certain conditions precedent.

Certain project financing arrangements may also provide for staggered release of funds conditional upon the completion of specified project stages. In the event that significant project delays or increases in project costs are experienced, we may not be able to fulfil all or any of such release conditions, in which case these lenders would have no obligation to provide further financing to us as agreed in the documentation. Such project delays or increases in project cost estimates may also be subject to lender approval or may constitute events of default under the financing documentation. We may also need to look for additional sources of finance, which may not be readily available or available on commercially reasonable terms, and may be restricted from obtaining such financing under the terms of our existing indebtedness. Any failure on our part to satisfy our funding release conditions, comply with our obligations under our financing arrangements or obtain additional financing if required would materially and adversely affect our business, prospects, financial condition and results of operations.

Certain of the agreements governing our existing indebtedness include cross-default provisions. As of the date of this Red Herring Prospectus, approximately 14.29% of our debt agreements contain cross-default provisions. In addition, we have not incorporated separate subsidiaries for the development and operation of our existing pipeline of projects. Consequently, if we were to experience difficulties on a project which result in our Company being in default of its obligations pursuant to the financing arrangements for that particular project, we may be deemed to be in default under all of our financing arrangements, and may be declared to be insolvent as a result. If this occurs, our business, prospects, financial condition and results of operation would be materially and adversely affected.

29. We may face opposition from local communities and other non-governmental organizations in connection with our construction and operation of hydroelectric power projects, which may delay or otherwise hinder the construction or development of such projects or negatively affect our corporate image.

Generally, the development of hydroelectric power projects globally and in India has faced opposition from special interest groups, as well as local communities located in the vicinity of such projects. For example, we have in the past encountered opposition to the construction or operation of the NJHPS, which resulted in our having to cease construction activities on the project several times. This resulted in substantial delays to the project completion date, and there can be no assurance that we will not face similar opposition in the future. We have also encountered similar opposition in our construction of the Rampur Project, as well as certain instances of sabotage during the construction process. For example, during the construction of the Rampur Project, the power lines which supplied the project site for the Rampur Project were cut, and power interruptions were experienced. This caused the water pumps at the excavation sites to cease pumping water out of the excavation site, and as a result certain construction equipment experienced water damage. In addition, our employees and those of our contractors have on several occasions in the past been prevented from entering the work site.

We are also aware of some non-governmental organizations which have in the past opposed our development of the NJHPS, and which are currently opposing our development of the Rampur Project. In particular, in February 2006, a non-governmental organization, citing local community opposition and lack of adequate environmental studies and safeguards, notified its opposition to the construction of the Rampur Project to Government authorities and to the World Bank. We responded to the issues identified in the letter to the Government authorities concerned and to the World Bank, and no further action was taken or deemed to be necessary by such parties. The same non-governmental organization has opposed our application to the CDM Executive Board for carbon emission reduction credits in connection with our development of the Rampur Project, and has issued a letter to the CDM Executive Board detailing such opposition.

Significant opposition by such parties, including by way of litigation or acts of sabotage against our project facilities or projects under construction, may result in delays in the construction or the commencement of commercial operations of projects under construction, require us to cease operations at operational projects, or result in the incurrence of increased or additional costs, expenses and contingent liabilities. Our reputation and corporate brand equity may also be adversely affected as a result of negative publicity associated with such opposition. If this occurs, our business, prospects, reputation, brand equity, profitability, financial condition and results of operation may be materially and adversely affected.

30. We have not registered our trademark or logos under the Trademark Act 1999.

We do not presently own, nor have we registered, any intellectual property rights over our name and logo under the Trademark Act 1999, and consequently do not enjoy the rights accorded thereunder with respect to the usage of our name and logo. Failure to protect our intellectual property rights through registration under the Trademark Act 1999 may allow a third party to use our intellectual property without our consent, and if this occurs, our brand equity may be diluted or adversely affected.

31. We do not have certain records pertaining to historical legal and secretarial information.

We have in the past misplaced certain forms filed by us with the Registrar of Companies from time to time, evidencing allotments of Equity Shares to the Government and the state government of Himachal Pradesh. As a result, information relating to the same in this Red Herring Prospectus has been obtained from the books of records of our Company.

32. Certain of our power purchase agreements have expired.

Two of our power purchase agreements, entered into with the Power Development Department of Jammu & Kashmir and the Uttar Pradesh Power Corporation Limited, respectively, have expired. There can be no assurance that we will be able to renew these power purchase agreements on terms similar to the previous agreements, or at all. If we are unable to do so, the share of electricity allocated to these two distribution licensees will be deemed to be unallocated power, and the Government may allocate such power to various states and union territories in the Northern region of India on a discretionary basis. There can be no assurance that the Government will make such allocation on a timely basis or at all, and in the event that such power is not allocated, we will be subject to availability-based tariff fluctuations and our revenues, profitability, financial condition and results of operation may be materially and adversely affected.

33. We are dependent on external sources of funding for our expansion plans and we may not be able to obtain financing for our projects on commercially acceptable terms.

We require significant additional capital to finance the expansion and development of our business, in particular, our pipeline of existing projects. As of the date of this Red Herring Prospectus, based on current project estimates, we would require Rs. 118,318 million to fund the construction and development of our pipeline projects (excluding the Tipaimukh Project). We expect our proposed capital expenditures to be funded through our internal cash flows, financial support from the Government and debt financing. Our ability to finance our capital expenditure plans is subject to a number of factors, some of which are beyond our control, including tariff regulations, our results of operations, general economic and capital market conditions, borrowing or lending restrictions, if any, imposed by state governments, the Government and the RBI, our ability to obtain financing on acceptable terms, and the amount of dividends required to be paid to the Government and our public shareholders. Further, adverse developments in international and domestic credit markets may affect our ability to obtain financing and may significantly increase our overall cost of funds. There can be no assurance that we will be able to meet our capital expenditure requirements, and if this occurs, our development of our pipeline of existing projects and prospects may be adversely affected.

34. We have incurred significant indebtedness and further intend to incur substantial borrowings in connection with the development of our hydroelectric power projects.

As of December 31, 2009, our aggregate long-term indebtedness amounted to approximately Rs. 17,463.7 million. Our current debt equity ratio is 0.26:1.The following table sets forth the debt equity ratios of certain of our competitors which we believe to be representative of our industry:

Company, FY 09, Rs Mn	Long Term Debt	Equity	Debt Equity ratio
JP Power Ventures*	7,411.7	10,751.5	0.69:1
KSK Energy Ventures, (consl.)	20,375.7	19,821.2	0.46:1
NHPC	82,123.8	179,806.2	0.46:1
Average			0.72:1

**Formerly known as Jaiprakash Hydro-Power Limited.*

Source: Annual Reports for each of the companies listed above for the financial year ended March 31, 2009

Our ability to make scheduled principal or interest payments on our indebtedness, including under our financing arrangements with the World Bank, and to fund our ongoing operations and the development and financing of our existing pipeline of projects, will depend on our future performance and ability to generate cash which, to a certain extent, is subject to general economic, financial, competitive, legislative, legal, regulatory and other factors, as discussed in this section, many of which are beyond our control. If our future cash flows from operations and other capital resources are insufficient to service our financial obligations, including our obligations to the World Bank, or to fund other liquidity or project development needs, we may be forced to sell assets, or to attempt to restructure or refinance our existing indebtedness, or to cease the development of certain of our projects. No assurance can be given that we would be able to accomplish any of these measures on a timely basis or on satisfactory terms or at all.

35. We are controlled by the Government, who will continue to own a majority of our outstanding share capital following the Offer.

After the completion of the Offer, the Government will continue to own a majority interest in the equity of our Company. Accordingly, the Government, acting through the MoP, will be in a position to exert significant influence over our affairs, including as to whether we undertake a particular project, and will be able to influence the outcome of any shareholder or board resolutions without regard as to how other shareholders may vote. There can be no assurance that the Government, as our controlling shareholder, will not have objectives which will not conflict with our business goals and objectives, and the interests of the Government may not necessarily be aligned with that of our other shareholders. The Government may also be able to deter or delay a future takeover or change of control of our Company.

36. ***Our generation capacity is subject to substantial variations in water flow, due to climatic conditions and varies seasonally.***

The amount of power generated by hydroelectric generation facilities is dependent on available water flow, and fluctuates due to variations in water flow which in turn depends on factors such as rainfall, snowfall, snowmelt or other seasonal and climatic conditions, as well as the carrying capacity of the river.

We have typically generated most of our power during the May through September period due to snowmelt and the monsoons. Substantial snowmelt or rainfall during these months generally leads to higher generation at the NJHPS due to the increased water flow, subject to silt levels. For example, for the year ended March 31, 2009, approximately 69.1% of our actual annual generation of 6,609 MU was generated during the months of May 2008 to September 2008.

With respect to our existing pipeline projects, while we have carried out feasibility studies and estimated the water flows for the respective project sites based on output projections, there can be no assurance that actual water flows will be consistent with our projections or that the water flow required to generate the projected outputs will be sustained after completion of construction. Similarly, there can be no assurance that material hydrological events will not impact the conditions that currently exist at these project sites. Accordingly, adverse hydrological conditions, whether seasonal or for an extended period of time, that result in inadequate or inconsistent water flow may render our hydroelectric generation facilities incapable of generating energy in accordance with current estimates, which may adversely affect our business, prospects, and increase the period of cost recovery associated with such projects.

37. ***The accumulation of silt in waterways can damage our equipment and cause us to cease operations for extended periods of time.***

Our operations may be affected by silt build-up and sedimentation levels. Silt and sediment may accumulate behind dam walls and prevent the silt from being washed further downriver. Excess levels of silt may occur in waterways due to changes in environmental conditions, exacerbated by human activities such as agriculture and construction occurring upstream from the dam. High concentrations of silt in water can cause erosion, corrosion or cavitation damage in the hydroelectric turbines of a hydroelectric generation facility or may lead to blockages in the turbines. Any such damage or blockage may require us to suspend power generation, which may lead to reductions in revenues, including the associated efficiency incentive payments under the current tariff regime. In addition, we may be required to incur additional costs from time to time to carry out dredging and repairs or replacements of affected equipment or parts. Since 2007, we have adopted a policy of shutting down generation operations at the NJHPS where the silt load exceeds 4,000 parts per million in the river upstream of the reservoir or dam.

We have in the past reduced generation, or ceased operations altogether at the NJHPS due to high levels of sedimentation. For example, we have in the past ceased operations for periods of between a few hours and five days due to silt levels in the Sutlej River being excessively high.

In the event we are required to reduce our generation activities or to shut down operations at our plant due to excessively high silt levels, our business, profitability, financial condition and results of operation may be materially and adversely affected.

38. ***We may be affected by international and domestic disputes over water usage and management.***

India is party to a number of international agreements that seek to promote long-term water management across international boundaries, including a water-sharing treaty between India and Bangladesh on the River Ganges, the Indus Water Treaty between Indian and Pakistan and several treaties between India and Nepal. In addition, there are several Indian inter-state water sharing agreements under which costs are shared with respect to water and irrigation. However, sovereignty over water flows is hard to define and water management and allocation policies are difficult to enforce, even though definitive agreements have been ratified by states, regions or at a national level. Our business and future prospects may be adversely affected should our projects, or the watercourses on which our projects are located, become the subject of disputes relating to water usage at a local, state or international level.

In addition, our projects may be affected by actions taken by third parties upstream of our projects, both within Indian territories and in territories outside of India, which may be beyond our control. For example, our operations on the Sutlej river are affected by activities which take place upstream from the NJHPS on the tributaries, main river, and in the catchment area, in India and China.

39. We are dependent on various contractors for the construction and development of our projects and for the supply of materials and equipment, and any failure on their part to perform their obligations may adversely affect our operations.

We rely on third party contractors for the construction and development of our projects. Accordingly, the timing and quality of construction of our projects depends on the availability and skill of the contractors which we engage. We also rely on third party suppliers to provide us with raw materials used in the construction of our projects, such as cement and steel. We do not have direct control over the quality of materials supplied by such suppliers or over the logistics by which such materials are supplied to us.

Certain execution risks we face include:

- contractors may not be able to complete construction and installation on time, within budget for contracts on a variable cost basis, or to the specifications and standards that have been set in the contracts with them;

- contractors may fail to comply with laws and regulations relating to health, safety, environmental and other employee related concerns, which our Company may be found to be responsible for irrespective of whether our agreements with such contractors disclaim responsibility for such issues;

- delay in the delivery of equipment or materials;

- delays in achieving commercial operation by scheduled completion dates;

- assumptions and estimates contained in the feasibility studies for these projects may prove to be inaccurate;

- expansion into different geographical markets would result in our having to use contractors with whom we are not familiar, which could increase the risk of cost overruns, construction defects and failures to meet scheduled completion dates; and

- we may be responsible under applicable Indian laws for wage payments to contract labourers engaged by our contractors, although we do not engage such labourers directly. Furthermore, pursuant to the provisions of the Contract Labour (Regulation and Abolition) Act, 1970, we may be required to retain such contract labourers as our employees. Any requirement to fund such payments and any such order from a court or any other regulatory authority may adversely affect our business and results of operations.

Contractors and suppliers in our business are generally subject to liquidated damages payments for failure to achieve timely completion or performance shortfalls. They may also give limited warranties in connection with design and engineering work as well as provide guarantees and indemnities to cover cost overruns and additional liabilities. However, liquidated damages provisions, guarantees and indemnities may not address all losses, damages or risks or cover the full loss or damage suffered due to construction delays, performance shortfalls, or the entire amount of any cost overruns. We may therefore not be able to recover from a contractor or suppliers the full amount owed to us.

Our contracts with third party suppliers or contractors do not generally cover indirect losses such as loss of profits or business interruption and certain risks such as unforeseen site and geological conditions. Further, although we believe that our relationships with our contractors and suppliers are cordial, we cannot assure you that such contractors and suppliers will continue to be available at reasonable rates and in the areas in which we conduct our operations. If some of these third parties do not complete our orders satisfactorily or within the stipulated time, our reputation and financial condition may be adversely affected.

40. Significant increases in prices or shortages of building materials may increase our project development costs and cause the actual cost of such project development to vary significantly from initial project estimates.

The cost of construction of our projects is affected by the availability, cost and quality of raw materials. Principal raw materials used in the construction of hydroelectric power projects include cement and steel. The prices and supply of these and other raw materials depend on factors not under our control, including general economic conditions, competition, production levels, transport costs and import duties. If we are unable to obtain required raw materials in the quantities we need and at reasonable prices, our ability to meet our material requirements for our projects may be impaired, our construction schedules may be disrupted and our cost estimates could be significantly increased and our business, prospects, financial condition and results of operations may be materially and adversely affected.

41. We may not have adequate insurance coverage.

The hydroelectric power industry is subject to significant risks arising from the development, construction and operation of hydroelectric generation facilities in remote locations, which could result in damage to, or destruction of power generation equipment and facilities, as well as accidents leading to personal injuries or death, environmental damage, operational or maintenance delays and disruptions, monetary losses and potential legal liabilities.

For example, during the construction phase of the NJHPS, we relied on insurance coverage provided by our contractors to insure against damage and loss to the project. Further, we also maintained insurance through such contractors against risks associated with assets and infrastructure that were ancillary to the construction of the project, such as roads, administration buildings or housing provided to on-site workers. We currently maintain insurance against certain risks in the operation of our business and the NJHPS in the types and amounts which our management believes to be consistent with industry practice, and as required under the terms of our agreements and other statutory requirements. We rely on insurance coverage provided by our contracts to insure against damage and loss with respect to the Rampur Project. For a description of insurance policies maintained by us, see "***Description of Our Business—Insurance***" on page 77.

Our insurance policies do not provide coverage against all losses related to our operations. For example, we have not obtained coverage for economic losses sustained by our Company which are attributable to breakdown of machinery. Accordingly, the occurrence of losses, liabilities and damages which are not covered by our insurance policies, or which exceed the specified minimum coverage amount, could have a material adverse effect on our business, prospects, financial condition and results of operations. There can be no assurance that we will be able to renew our existing insurance coverage or procure additional insurance coverage which our management may subsequently deem to be necessary at economically acceptable premiums, or at all.

42. Our expansion into emerging geographic markets exposes us to risks associated with investing and carrying out operations within those markets.

We are exposed to general financial, political, economic and business risks associated with our operations in overseas jurisdictions. In particular, we have been awarded the Arun-III Project by the Nepalese government through a competitive tender process.

While these projects offer strong growth and diversification potential, especially in developing economies such as Nepal and Bhutan, they also present a higher degree of risk than in more developed economies. There are business risks inherent in developing and servicing new markets. For instance, economic conditions may be more volatile and legal systems may be less developed and unpredictable. We are also exposed to risks associated with lack of cultural and operational experience in such jurisdictions, such as in procuring adequate local contractors and supplies, and deficiencies in knowledge of local customs and regulations. This may result in unforeseen delays or disruptions to our project development, or may otherwise adversely affect our future expansion strategies, business and prospects in such jurisdictions.

43. We may be unable to obtain licenses and other approvals required for the development or operation of our projects.

Hydroelectric power projects are typically developed in three stages by a central public sector undertaking. The first stage involves the survey and investigation of the proposed project site and the preparation of a pre-feasibility evaluation study. The second stage involves the detailed investigation and preparation of a DPR and the commencement of pre-construction activities such as the land acquisition process. The third and final stage involves the execution of the project after obtaining all requisite approvals from central and state regulatory authorities, including approvals from the PIB, CCEA, MoP, the Planning Commission, the MoEF and the CEA. We also may require clearances from state pollution control boards and the ministry of water resources, as well as certain other general licenses and approvals required for our business operations.

In addition, we also consult with these regulatory bodies on an ongoing basis in order to approve any capital expenditures, cost overruns or other additional or increased expenditures which vary from original project estimates. Further, certain regulatory approvals may expire due to delays in the project completion schedule, and fresh applications for such approvals may need to be made to the relevant authorities, which in turn may result in further delays to the project while such approvals are being processed. We have applied for the grant of certain approvals for our ongoing projects which are yet to be obtained.

There can be no assurance that we will be able to receive all requisite approvals and clearances in a timely manner for the execution of our projects, or at all. If this occurs, we may not be able to recover costs incurred in the initial stages of our project preparation, or during the construction process. For the details of such pending approvals, see section titled "***Government and Other Approvals***" on page 161.

44. The risk of environmental damage or materially adverse environmental consequences may force us to restrict the scope of our projects or incur substantial compliance or restorative costs.

Certain environmental organisations have expressed opposition to hydroelectric power stations based on the allegation that they cause loss of habitat for, or destruction of, marine life and have adverse ecological effects on waterways. In addition, dams create large reservoirs over what used to be dry land, which may also result in destruction of wildlife habitats, the need for resettlement of resident populations or urban centres, increased sediment in rivers and the production of methane from submerged forests. Due to these factors, environmental regulators may impose additional ongoing restrictions on our operations that would limit our ability to generate revenues. We may also be subject to significant financial penalties for any environmental damage caused. Financial losses and liabilities as a result of increased compliance costs or due to environmental damage may affect our reputation and financial condition.

We have in the past been issued with notices from the Himachal Pradesh State Environment Protection and Pollution Control Board for certain violations of the Air (Prevention and Control of Pollution) Act, 1975 and the Water (Prevention and Control of Pollution Act), 1974. These notices were issued in 2004, alleging failure by our Company to comply with the terms of our consents and licenses with respect to the operation of the NJHPS. We responded to these notices within the stipulated time period and no further action was taken by the authorities. In addition, one of our contractors was issued with a notice by the same regulatory authority relating to non-installation of pollution control devices at a site. This contractor took remedial action and no further action was taken by the authorities with respect to this violation.

45. We may not be able to effectively manage our growth or development of our existing pipeline of projects.

As of December 31, 2009, we have one operational project, the NJHPS, and are in the process of constructing the Rampur Project. All of our other pipeline projects are in various developmental stages. The development of these projects will place significant demands on our management as well as on our financial, accounting and operating systems. It may also place significant pressure on the adequacy of our capitalization and financial resources. As we proceed with the development of additional projects, we may not be able to continue to execute such projects efficiently, which may result in delays, increased costs and diminished effectiveness and quality. An inability to manage our growth effectively on favourable terms and at acceptable quality standards may have an adverse effect on our business, prospects, cashflows, other resources, profitability, financial condition, reputation, corporate brand equity and results of operations, and may consequently impact the trading price of our Equity Shares. As we are a development stage company and due to the long gestation period required for hydroelectric power projects, our historical financial statements may not be an accurate indicator of our future financial performance.

46. We are dependent on our management team, skilled personnel and our ability to attract and retain such personnel.

Our operations are dependent on our key management personnel for, among others, strategic business directions, customer relations and operational decisions. Any inability to retain the services of any such key personnel may adversely impact our operations and our performance.

Our project operations require skilled labor and technical specialists, such as geologists and engineers. Our ability to continue expanding our business may be limited by labor constraints as our competitors, being other public sector enterprises engaged in the energy sector and IPPs compete for increasingly scarce labor resources. Our success depends, among other things, on our ability to attract, train and retain a sufficient number of skilled employees with the relevant skills and expertise to execute and operate our projects. If we are unable to attract, train or retain skilled personnel, our ability to continue our existing operations may be adversely affected, which may in turn affect our business, prospects, profitability, financial condition and results of operations. For example, we have in the past experienced a shortage of skilled hydroelectrical engineers and technicians, due in part to the liberalization of the Indian power industry and the increase in numbers of market entrants who required experienced labour for their operations. This resulted in our having to schedule extra working hours and shifts for our existing staff, when we were unable to recruit sufficient skilled labor and technical specialists for our operating requirements.

47. Our net income in future periods may be affected if we are unable to benefit from certain tax incentives in the future.

A key objective of the Hydro Power Policy 2008, is to encourage and increase private investment in the development of hydropower by providing financial benefits such as income tax holidays for periods of up to 10 years and duty-free imports of capital goods to developers of mega hydropower projects. Further, there are a number of tax incentives provided to us under the Central Sales Tax Act, 1956, the Customs Tariff Policy, the I.T. Act and the EXIM Policy. For the financial years ended March 31, 2008 and 2009, tax expenses constituted approximately 14.1% and 32.0% of our profit after taxes.

Due to changes in applicable law, we may not be able to benefit from these tax incentives in the future. Consequently, our profitability, financial condition and results of operations may be affected. For further information relating to the tax benefits and incentives enjoyed by us, see "***Statement of Tax Benefits***" on page 40.

48. Changes in technology may affect our business by making our equipment or power projects less competitive or obsolete.

Our future success will depend in part on our ability to respond to technological advances and emerging hydropower generation industry standards and practices in a cost-effective and timely manner. The development and implementation of such technology entails technical and business risks, and may require substantial capital outlays. There can be no assurance that we will be able to finance or successfully implement new technologies effectively, or to modify our existing systems to incorporate new industry standards. If we are unable for any reason to adapt in a timely manner to changing market conditions, customer requirements or technological changes, our business, prospects, financial condition and results of operations may be adversely affected.

49. We face extensive competition for the award of new hydroelectric power projects.

The statutory and regulatory framework for the Indian power sector, including the hydropower sector, has changed significantly in recent years and is likely to continue evolving over the next few years. Changes in the tariff regime based on the CERC Approach Paper and the unbundling of the SEBs and consequent restructuring of companies in the power sector, as discussed in the risk factors above, open access and parallel distribution, and liberalised licensing requirements for, and tax incentives applicable to, companies in the hydroelectric power sector, may provide opportunities for increased private sector involvement in power generation. For instance, a key objective of the Hydro Power Policy 2008 is to encourage and increase private investment in the development of hydroelectric power through providing financial benefits such as an income tax holiday for 10 years from the date on which the project is commissioned and duty-free imports of capital goods to developers of mega hydropower projects. The Hydro Power Policy 2008 also seeks to encourage joint ventures with private developers and the use of the independent power producer, or IPP, model, as well as to promote power trading and speeding up clearance procedures.

Large Indian businesses that already have a presence in the Indian power sector, specifically in captive power generation, may seek to expand their operations in the sector. The power sector in India may also attract increased investment from international companies with greater resources and assets than us and which may be able to achieve better economies of scale allowing them to bid profitably at more competitive rates. In addition, there may be increased competition from national and state power utilities.

50. Significant differences exist between Indian GAAP and U.S. GAAP, which may be material to investors' assessments of the financial condition of our Company.

The financial statements included in this Red Herring Prospectus are prepared and presented in conformity with Indian GAAP consistently applied during the periods stated in those reports, except as otherwise restated in accordance with SEBI and Companies Act requirements for the purposes of the Offer, and no attempt has been made to reconcile any of the information given in this Red Herring Prospectus to any other principles or to base the information on any other standards. Indian GAAP differs from accounting principles with which prospective investors may be familiar with in other countries, such as IFRS and U.S. GAAP. Investors should rely upon their own examination of our Company, the terms of the Offer and the financial information contained in this Red Herring Prospectus. See section titled "***Principal Differences between Indian GAAP, U.S. GAAP and IFRS***" on page F32.

Risks Relating to India

We are a company incorporated in India and substantially all of our assets and operations are presently located in India. All of our directors reside within India. Our current sole operational project is located in the state of Himachal Pradesh in India. As a result, future political, economic, legal and social conditions in India and in Himachal Pradesh, as well as certain actions and policies that the Government may or may not take or adopt, could have a material adverse effect on our business, prospects, financial condition and results of operations and the market price of our Equity Shares.

51. A slowdown in India's economic growth may adversely impact our business.

Our performance and the quality and growth of our assets are necessarily dependent on the health of the overall Indian economy, which may be adversely affected by a general rise in interest rates, natural calamities, such as earthquakes, a tsunami, floods and drought, commodity and energy prices, and protectionist efforts in other countries or various other factors. In addition, the Indian economy is in a state of transition. The share of the services sector of the economy is rising while that of the industrial, manufacturing and agricultural sectors is declining. It is difficult to gauge the impact of these fundamental economic changes on our business. Any slowdown in the Indian economy, or future volatility in global commodity prices, may adversely affect our business.

52. The Indian economy has sustained varying levels of inflation in the recent past.

India has experienced very high levels of inflation during the period between 2008 and 2009, with inflation peaking at 8.4%. In the event of a high rate of inflation, our costs, such as salaries, price of transportation, wages, raw materials or any other of our expenses may increase. Accordingly, high rates of inflation in India could increase our costs, and would materially and adversely affect our profitability, financial condition and results of operation.

53. Political and social instability in India may adversely affect the economy, which in turn could have a material adverse effect on our business, prospects, financial condition and results of operations.

The Government has traditionally exercised and continues to exercise a significant influence over many aspects of the economy. Our business, and the market price and liquidity of our Equity Shares, may be affected by changes in the Government's policies, including taxation. Social, political, or other developments in or affecting India, acts of war and acts of terrorism could also adversely affect our business.

Since 1991, successive Indian governments have pursued policies of economic liberalisation, including through significantly relaxing restrictions on the private sector. Nevertheless, the role of the Indian central and state governments in the Indian economy as producers, consumers and regulators has remained significant. The current Government, which came to power in May 2009, is headed by the Indian National Congress and is a coalition of several political parties. Although the current Government has announced policies and taken initiatives that support the economic liberalisation policies that have been pursued by previous governments, the rate of economic liberalisation may change, and specific laws and policies affecting banking and finance companies, foreign investment and other matters affecting investment in our securities may change as well. Any major change in government policies might affect the growth of Indian economy and thereby our growth prospects. Additionally, as economic liberalisation policies have been a major force in encouraging private funding of power sector development, any change in these policies may have a significant impact on power sector development and business and economic conditions in India generally, which may adversely affect our business, our future financial performance and the price of our Equity Shares.

54. Terrorist attacks on the United States and responses of the United States and/or its allies thereto and terrorist activities in India have led to substantial and continuing economic and social volatility, which may materially and adversely affect our businesses.

The terrorist attacks on the United States on September 11, 2001, together with the military response by the United States and its allies in Afghanistan and continuing military activities in Iraq, have resulted in substantial and continuing economic volatility and social unrest in Asia. The recent terrorist attacks in Asia, including the major terrorist attack in Mumbai in November 2008, have exacerbated this volatility. Further developments stemming from these events or other similar events could cause further volatility. Any additional significant military or other response by the United States and/or its allies, or any further terrorist activities, could also materially and adversely affect international financial markets and the Indonesian economy.

There can be no assurance that further terrorist acts will not occur in the future. Following the military involvement of the United States and its allies in Iraq, a number of governments have issued warnings to their citizens in relation to a perceived increase in the possibility of terrorist activities in various Asian countries, targeting foreign, particularly U.S., interests. Such terrorist acts could destabilize India and increase internal divisions within the Government as it considers responses to such instability and unrest, thereby adversely affecting investors' confidence in India and the Indian economy. Violent acts arising from and leading to instability and unrest have in the past had, and could continue to have, a material adverse effect on investment and confidence in, and the performance of, the Indian economy, and in turn our business. Any of the events described above, including any terrorist attack targeted at our infrastructure, projects and equipment, could cause interruption and materially and adversely affect our business, prospects, financial conditions and results of operations.

55. Any downgrading of India's sovereign debt ratings by an international rating agency may have a negative impact on our business.

Currently, India's sovereign foreign currency long-term debt is rated "Baa3" by Moody's, "BBB-" by Standard & Poor's, and "BBB-" by Fitch Ratings Service ("Fitch") and its short-term foreign currency debt is rated "P-2" by Moody's, "A-3" by Standard & Poor's and "F3" by Fitch. These ratings reflect an assessment of the Government's overall financial capacity to pay its obligations and its ability or willingness to meet its financial commitments as they become due.

No assurance can be given that Moody's, Standard & Poor's, Fitch or any other statistical rating organization will not further downgrade the credit ratings of India or other Indian companies. Any such downgrade could have an adverse impact on liquidity in the Indian financial markets, the ability of the Government and Indian companies, including us, to raise additional financing and the interest rates and other commercial terms at which such additional financing is available and could have a material adverse effect on us.

56. Labor activism and unrest may materially and adversely affect us.

Our Company had 1,801 full-time employees as of December 31, 2009. We maintain good working relationships with our employees, labour unions and associations, and have not experienced any operational disruptions from labour relations in the past. However, there can be no assurance that we will not in the future experience disruptions to our operations due to industrial relation disputes or other problems with our work force, which may adversely affect our business and results of operations.

Further, efforts by labour unions to organise our employees may divert management's attention and increase operating expenses.

We typically enter into contracts with independent contractors to complete specified assignments during the construction phase of our projects, and these contractors are required to source the labour necessary to complete such assignments. Even though we do not engage these labourers directly, should our contractors default on wage payments, we may be held responsible under Indian law for wage payments to labourers engaged by such contractors. Any requirement to fund such payments may adversely affect our profitability, financial condition and results of operations. Further, pursuant to the provisions of the Contract Labour (Regulation and Abolition) Act 1970, we may be required to absorb some of these contract labourers as our employees.

Labor unrest and activism in India could also disrupt our operations, or those of our suppliers or our contractors and could affect the financial condition of Indian companies in general, depressing the prices of Indian securities on the Indian stock exchanges and the value of the Rupee relative to other currencies. Such events could materially and adversely affect our business, prospects, financial condition and results of operations.

57. ***Domestic, regional or global economic changes may materially and adversely affect the Indian economy and our business.***

There has been extraordinary and intensifying disruption and volatility in global capital and credit markets since mid-2007, when deterioration in asset prices in the United States sub-prime residential mortgage market began to impinge substantially on liquidity in the United States, and later in European and Asian capital and credit markets. Volatility and disruption intensified following the filing for bankruptcy by Lehman Brothers Holdings Inc. in the United States on September 15, 2008 and the extension of a US$85 billion loan (with warrants) by the Federal Reserve Board to American International Group on September 16, 2008. Share prices, particularly those of financial institutions, declined sharply globally and such declines, as well as substantial mark-to-market writedowns of assets by financial institutions, initially of mortgage related assets but later including credit default swaps and other derivative securities, have caused many financial institutions to seek new capital, merge with stronger and larger institutions (voluntarily or at the behest of regulators) and, in some cases, fail.

Following these disruptions in the financial sector, there has been a significant reduction in business activity in various industries and in consumer spending in developed markets around the world. Consequently, unemployment in these markets has been increasing and some major companies have been experiencing significantly diminished results and, in some cases, bankruptcy or a significant threat of bankruptcy. As of the end of 2008, the United States, various European countries and Japan were all officially declared to be in economic recession. These extremely negative economic developments have adversely affected developing markets, including India and other Asian countries. In particular, there have been capital outflows from some developing markets and reductions in their exports and export revenues. Certain developing or smaller economies such as Pakistan, Iceland, Hungary, Belarus, Serbia and Ukraine have sought assistance from the International Monetary Fund ("IMF") to deal with severe balance of payments difficulties. Throughout Asia, stock market indices, including those of Japan and South Korea, declined sharply in October and November 2008 and Asian currencies (excluding the Japanese yen) declined sharply against the U.S. dollar in October and November 2008. The eventual duration, magnitude and scope of these extremely negative economic developments remain unknown and economic conditions in developed markets are not expected to improve substantially in the near term.

India and other Asian countries have been negatively affected, along with developing market countries globally, by the unprecedented financial and economic conditions in developed markets. Although the Government has taken a number of responses to these unprecedented conditions with the aim of maintaining economic stability and public confidence in the Indian economy, continuation of these unprecedented conditions may negatively impact economic growth, the Government's fiscal position, the Rupee exchange rate and other facets of the Indian economy.

There can be no assurance that the recent improvements in global economic condition will continue or the previous adverse economic condition in India and the rest of the Asia-Pacific region will not occur in the future. In particular, a loss of investor confidence in the financial systems of emerging and other markets, or other factors, may cause increased volatility in the Indian financial markets and inhibit or reverse the growth of the Indian economy. Any such increased volatility, slowdown or negative growth could materially and adversely affect our business, financial condition, results of operations and prospects, and the trading price of our Equity Shares.

58. Natural calamities could have a negative effect on the Indian economy and cause our business to suffer.

India has experienced natural calamities such as earthquakes, floods and drought in the past few years. The extent and severity of these natural disasters determines their effect on the Indian economy. For example, as a result of drought conditions in the country during fiscal 2003, the agricultural sector recorded negative growth for that period. The erratic progress of the monsoon in 2004 affected sowing operations for certain crops. Further prolonged spells of below normal rainfall or other natural calamities could have a negative effect on the Indian economy, adversely affecting our business and the price of our Equity Shares.

59. Our ability to raise foreign capital may be constrained by Indian law.

As an Indian company, we are subject to exchange controls that regulate borrowing in foreign currencies. Such regulatory restrictions limit our financing sources for our power projects under development and hence could constrain our ability to obtain financings on competitive terms and refinance existing indebtedness. In addition, we cannot assure you that the required approvals will be granted to us without onerous conditions, or at all. The limitations on incurrence of foreign debt may have an adverse effect on our business, prospects, financial condition and results of operations.

60. Government regulation of foreign ownership of Indian securities may have an adverse effect on the price of our Equity Shares.

Foreign ownership of Indian securities is subject to Government regulation. Under foreign exchange regulations currently in effect in India, the RBI must approve the sale of our Equity Shares from a non-resident of India to a resident of India if the sale does not meet the requirements of the RBI Circular dated October 4, 2004. The RBI must approve the conversion of Rupee proceeds from any such sale into foreign currency and repatriation of that foreign currency from India unless the sale is made on a stock exchange in India through a stock broker at market prices. As provided in the foreign exchange rules and regulations currently in effect in India, the RBI will approve the price at which our Equity Shares are transferred based on a specified formula, and a higher price per share may not be permitted. The approval from the RBI or any other government agency may not be obtained on terms favourable to a non-resident investor in a timely manner or at all. Because of possible delays in obtaining requisite approvals, investors in our Equity Shares may be prevented from realizing gains during periods of price increases or limiting losses during periods of price declines.

Risks Relating to the Offer

61. The price of our Equity Shares may be volatile, and you may be unable to resell our Equity Shares at or above the Offer Price.

Prior to the Issue, there has been no public market for our Equity Shares, and an active trading market on the BSE and the NSE may not develop or be sustained after the completion of the Offer. The Offer Price of our Equity Shares may bear no relationship to the market price of such Equity Shares after the completion of the Offer. The market price of our Equity Shares after the completion of the Offer may be subject to significant fluctuations in response to, among other factors, variations in our operating results, market conditions specific to the power sector in India, developments relating to India and volatility in the BSE and the NSE and securities markets elsewhere in the world.

62. We have issued shares in the last 12 months at a price lower than the Offer Price.

Pursuant to the letter from the MoP bearing no. 23/24/2009-H-II dated April 13, 2010 our Company has allotted 27,812,500 Equity Shares to the state government of Himachal Pradesh for aggregate consideration payable of Rs. 409.40 million, prior to the filing of this Red Herring Prospectus with the RoC in connection with the Offer.

The Offer Price for our Equity Shares in the Offer will be determined based on the outcome of certain book building exercises conducted by the BRLMs. If you purchase our Equity Shares, you may pay more for your Equity Shares than the amount paid by the state government of Himachal Pradesh for its acquisition of Equity Shares. There can be no assurance that any disparity between the Offer Price and the price paid by the state government of Himachal Pradesh for its interest in our Company will not adversely affect the market price of our Equity Shares immediately after the Offer.

63. ***Requirements by the Stock Exchanges may restrict significant movements in the daily trading price of our Equity Shares, and your ability to trade in our Equity Shares may be adversely affected as a consequence of such restrictions.***

Subsequent to listing, we will be subject to a daily circuit breaker imposed on listed companies by all stock exchanges in India which does not allow transactions beyond certain volatility in the price of our Equity Shares. This circuit breaker operates independently of the index-based market-wide circuit breakers generally imposed by SEBI on Indian stock exchanges. The percentage limit on our circuit breaker is set by the stock exchanges based on the historical volatility in the price and trading volume of our Equity Shares. The stock exchanges are not required to inform us of the percentage limit of the circuit breaker from time to time, and may change it without our knowledge. This circuit breaker would effectively limit the upward and downward movements in the price of our Equity Shares. As a result of this circuit breaker, there can be no assurance regarding the ability of shareholders to sell our Equity Shares or the price at which shareholders may be able to sell their shares in our Company.

64. ***Conditions in the Indian securities markets may affect the price or liquidity of our Equity Shares.***

The Indian securities markets are smaller than securities markets in more developed economies. Indian stock exchanges have in the past experienced substantial fluctuations in the prices of listed securities. The Indian stock exchanges have also experienced problems that have affected the market price and liquidity of the securities of Indian companies, such as temporary exchange closures, broker defaults, settlement delays and strikes by brokers. In addition, the governing bodies of the Indian stock exchanges have from time to time restricted securities from trading, limited price movements and restricted margin requirements. Further, disputes have occurred on occasion between listed companies and the Indian stock exchanges, and other regulatory bodies that, in some cases, have had a negative effect on market sentiment. If similar problems occur in the future, the market price and liquidity of our Equity Shares could be adversely affected.

You will not be able to sell immediately any of our Equity Shares purchased in the Offer until the Offer receives all required trading approvals.

65. ***Our ability to pay dividends in the future will depend upon our future earnings, financial condition, profitability, working capital requirements, cash flows, capital expenditures and restrictive covenants in our financing arrangements.***

Our business is capital intensive and we plan to make additional capital expenditures to complete the power projects that we are developing. Our ability to pay dividends is also restricted under certain financing arrangements that we have entered into and expect to enter into. We may be unable to pay dividends in the near or medium term, and our future dividend policy will depend on our capital requirements and financing arrangements for our projects, financial condition and results of operations.

66. ***There is no guarantee that our Equity Shares will be listed on the Stock Exchanges in a timely manner or at all.***

In accordance with Indian law and practice, permission to list our Equity Shares will not be granted until after these shares have been allotted and all other relevant documents authorising the Offer have been submitted. There could be a failure or delay in listing our Equity Shares on the Stock Exchanges. Any failure or delay in obtaining the requisite approval would restrict your ability to trade in our Equity Shares.

67. ***Any future issuance of our Equity Shares may dilute your shareholding and sales of shares by our Company or our controlling or majority shareholders may adversely affect the trading price of our Equity Shares.***

Any future equity issuances by us, including in a primary offering or pursuant to the exercise of stock options under our employee stock option plan, may lead to the dilution of investors' shareholdings in our Company and may adversely affect the trading price of our Equity Shares. In addition, any perception by investors that such issuances might occur could also affect the trading price of our Equity Shares.

Prominent Notes:

- Offer for sale by the President of India, acting through the MoP of India of 415,000,000 Equity Shares each for cash at a price of Rs. [●] per Equity Share aggregating up to Rs. [●]. The Offer comprises a Net Offer of 411,650,000 Equity Shares and a reservation of 3,350,000 Equity Shares for purchase by Eligible Employees. The Offer and Net Offer shall constitute approximately 10.03% and 9.95% of the paid up capital of our Company, respectively.

- The net asset value per Equity Share of Rs.10 was Rs. 16.45 each as at December 31, 2009, as stated in the restated financial statements prepared in accordance with Indian GAAP, and restated in accordance with SEBI ICDR Regulations.

- The net worth of our Company was Rs. 67,583.2 million as at December 31, 2009, as stated in the restated financial statements of our Company prepared in accordance with Indian GAAP and restated in accordance with SEBI ICDR Regulations. For more information, see section titled "***Financial Statements***" on page F1.

- The average cost of acquisition per Equity Share by the GoHP is Rs 10.12. The average cost of acquisition for the GoI is Rs 10. With effect from September 10, 2009, the original equity shares of Rs. 1,000 each in our Company have been split into Equity Shares of face value of Rs. 10 each.

  For further information regarding the allotment of Equity Shares to our Promoters, see section titled "***Capital Structure***" on page 23.

- Except as disclosed in "***Capital Structure***" on page 23, during the period of six months immediately preceding the date of the filing of this Red Herring Prospectus, no financing arrangements existed whereby any of our Promoters, Directors and their respective relatives may have financed the purchase of Equity Shares by any other person, other than in the normal course of the business of such financing entity.

  Our Company has not made any loans and advances to any person(s)/ company in which our Directors are interested, except as disclosed in the section titled "***Financial Statements***" on page F1.

- Investors are advised to see section titled "***Basis for Offer Price***" on page 37 .

- Investors may contact the BRLMs or the Syndicate Members or the Compliance Officer with respect to any complaints, information or clarifications pertaining to the Offer. Each of the BRLMs and Syndicate Members is obliged to provide such clarification or information to the investors. For contact details of the BRLMs, Syndicate Members or the Compliance Officer, please see section titled "***General Information***" on page 10. For further information, see section titled "***Offer Procedure***" on page 191.

  All grievances relating to the ASBA process may be addressed to the Registrar to the Offer, with a copy to the relevant SCSB, giving full details of the complainant, including name, address, number of Equity Shares applied for, Bid Amount blocked, ASBA Account number and the Designated Branch of the SCSB where the ASBA Form was submitted by the ASBA Bidder.

- For details in relation to related party transactions during the year ended March, 31, 2009, and the nature of such transactions, see the notes on related party transactions in the section titled "***Financial Statements***" on page F-1.

- Trading in Equity Shares for all investors shall be in dematerialised form only.

- Our Company was incorporated on May 24, 1988 under the Companies Act with the RoC under the name "Nathpa Jhakri Power Corporation Private Limited". The word "Private" was deleted under Section 620 read with Sections 21 and 23 of the Companies Act with effect from November 3, 1988. Subsequently, pursuant to the shareholders' resolution dated September 17, 2002, the name of our Company was changed from "Nathpa Jhakri Power Corporation Limited" to "Satluj Jal Vidyut Nigam Limited" as the operations of our Company were based in and around the river Sutlej. Consequent thereto a fresh certificate of incorporation dated November 11, 2002 was issued by the RoC. Further, pursuant to the shareholders resolution dated September 10, 2009, the name of our Company was again changed from "Satluj Jal Vidyut Nigam Limited" to "SJVN Limited" as the operations of our Company expanded and were no longer confined to the area in and around the river Sutlej. By the same resolution dated September 10, 2009, our Company was converted into a public limited company. Accordingly a fresh certificate of incorporation dated September 22, 2009 was issued by the RoC. For additional information concerning changes in our Company's name and changes in our Company's Memorandum of Association, see section titled "***History and Certain Other Corporate Matters***" on page 99.

- By way of letter bearing no. 6\23\2010-FJU dated April 13, 2010 FIPB has clarified that its approval is not required for the transfer of the Equity Shares to non resident investors. Further, the RBI vide its letter dated April 15, 2010 and bearing no. FE.CO.FID.No.- /10.21.185/2009-10 has confirmed that it has no objection to the transfer of 415,000,000 Equity Shares by the President of India, acting through the Ministry of Power, Government of India. For further details regarding the requirement for the said approval and other ancillary matters in this regard, see the sections titled "***Regulations and Policies in India***," "***Government and Other Approvals***" and "***Offer Procedure***" on pages 87, 161 and 191 respectively.

SECTION III - INTRODUCTION
SUMMARY OF INDUSTRY

*This summary has been provided for informational purposes only and is qualified in its entirety by, and is subject to, the more detailed information and the financial information set forth elsewhere in this Red Herring Prospectus. Investing in the Equity Shares involves risks. Prospective investors should read this Red Herring Prospectus in its entirety, including information set forth in the sections titled "**Risk Factors**" and "**Financial Statements**" and related notes on pages xiii and* F1*, prior to making a decision to invest in our Equity Shares. Statements contained in this summary that are not historical facts may be forward-looking statements. Such statements are based on certain assumptions and are subject to certain uncertainties that could cause results to differ materially from these projections. Under no circumstances should the inclusion of such information herein be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by us or the BRLMs or any other person or that these results will be achieved or are likely to be achieved.*

The power industry in India has historically been characterised by energy shortages, with demand for electricity far exceeding supply. The continued growth of the Indian economy has accelerated the need for further investments in the power sector. Apart from the increased need of power for sustenance of growth, India needs to bridge the demand-supply mismatch in the power sector. According to the CEA report titled *Power Scenario at a Glance*, *December 2009,* demand for electricity exceeded supply by 11.0% in FY 2009 (compared to 9.9% in FY2008). The total energy shortage during this period was 85,303 million units. Similarly, India's peak demand deficit during this period was 12.0% or 13,124 MW. It is anticipated that by the year 2012, India's peak demand for energy will be 152,746 MW with total energy requirements of 969 billion units. According to the *Hydro Power Policy 2008* and the CEA Monthly Generation Report for November 2009, annual generation has grown from about 5 billion units since independence to 723.8 billion units in FY 2009. Energy shortages for FY2006, FY2007 and FY2008 constituted 12.3%, 13.8% and 16.6% of peak demand requirements, respectively.

In order to meet growing demand and shortages encountered in various regions, it is estimated that generation capacity will need to be doubled over the next 10 years, so as to meet peak energy and total energy demands. In order to meet the energy requirements of 1,038 billion units and a peak load of 152,746 MW with a 5% spinning reserve, a total capacity addition of about 82,500 MW is required during the 11th Plan of which 12,716 MW has already been commissioned as on March 31, 2009 with hydropower contributing 26.7% of the commissioned units. However, a capacity addition of 78,700 MW comprising 36,874 MW (46.9%) to be developed by central public sector undertakings, 26,783 MW (34%) to be developed by state enterprises and 15,043 MW (19.1%) to be developed by private developers has been proposed for the duration of the 11th Plan. Out of this, a capacity of 15,627 MW is proposed to be added from hydropower projects comprising 8,654 MW (55.4%) developed by central public sector undertakings, 3,482 MW (22.3%) by state enterprises and 3,491 MW (22.3%) by private developers.

The Government has taken various measures in recent years to restructure the power sector to improve commercial and financial viability and to attract investment. Significant reforms include introduction of the Electricity Act, which has modified the legal framework governing the power sector. The Electricity Act was designed to address systemic deficiencies in the Indian power sector and attract capital for large-scale power projects. The Government also recently introduced a three-stage process for the development of new hydroelectric projects in the central sector. The new stage-driven process aims to reduce the time and cost overruns of hydroelectric projects, which have largely taken place as a result of hasty investigation of potential project sites and unavailability of proper infrastructure in terms of access to land and roads.

The tariff for the period between FY 2005 and FY 2010 was determined by earlier CERC regulations which has subsequently been modified for the period FY 2009 to FY 2014. The tariff structure prescribed by the CERC comprises a number of elements including annual fixed charges, incentives and unscheduled interchange charges. The methodology by which a tariff for a particular project is determined ensures that in order to achieve the guaranteed rate of return on the equity portion of the project, the operational power project will be required to operate at a minimum level which is set by CERC. Incentives relating to increased availability and generation in excess of design energy are built into such tariff rates.

The *Hydro Power Policy 2008*, which was introduced by the Government to promote hydroelectric power generation, emphasizes increasing private investment in the development of hydroelectric projects. The policy aims to attract private investment by encouraging joint ventures with private developers and the use of independent power producer models, besides promoting power trading and facilitating the processing of statutory clearances. The policy also provides special incentives for merchant sales of up to 40% of saleable energy for projects which meet specified time lines. In addition, a local development fund will be created, to which 1% of the power generated by a project will be allocated free of cost, for the purposes of providing a regular stream of revenue for income generation and welfare schemes and the creation of additional infrastructure and common facilities on a sustained and continued basis over the life of the project.

SUMMARY OF BUSINESS

We are a hydroelectric power generation company originally established as a joint venture between the Government and the state government of Himachal Pradesh to develop and operate the NJHPS. Based on information published by the CEA, the NJHPS is currently the largest operational hydroelectric power generation facility in India based on installed capacity, with an aggregate generation capacity of 1,500 MW, and is located on the Sutlej River in the state of Himachal Pradesh.

The NJHPS is currently our only hydroelectric power project in operation. Through our construction and operation of the NJHPS, we have gained experience in the design, development, construction and operation of hydroelectric projects, and the execution and management of all aspects of such projects from the initial stages of concept to the commissioning, operation and maintenance of such projects. We are currently constructing the Rampur Project, which is expected to be a 412 MW hydroelectric power generation facility located downstream from the NJHPS. The Rampur Project is currently projected to be completed and commissioned in 2013. We have also been awarded the rights to develop and operate two hydroelectric projects with an expected aggregate generation capacity of 825 MW by the state government of Himachal Pradesh (in each of which we are expected to have a 51% participation interest). We have also entered into memoranda of understanding with the state government of Uttarakhand for three hydroelectric projects with an expected aggregate generation capacity of 363 MW. We have further agreed to participate in a joint venture with NHPC Limited and the state government of Manipur for the development and operation of a 1,500 MW hydroelectric power project to be located in Manipur. We have also diversified our operations to target hydroelectric power projects available outside of India, and have been awarded the rights to construct and operate on a build, own, operate and transfer (BOOT) basis, a 900 MW hydroelectric power project to be located in the Sankhuwasabha district of Nepal, through participating in a competitive tender held by the Nepalese government. Through these projects, we expect to increase our total installed power generation capacity by approximately 3,588 MW.

Based on our restated audited financial statements for the years ended March 31, 2007, 2008 and 2009, we generated total revenues of Rs. 14,761.7 million, Rs. 14,622.8 million and Rs. 16,348.4 million, respectively, and profit before tax of Rs. 7,692.5 million, Rs. 8,178.0 million and Rs. 10,025.5 million, respectively.

Our Competitive Strengths

We believe that we have the following key competitive strengths:

Experience in hydroelectric power project development. We have experience in the development, execution and management of mega-hydroelectric projects through our development and operation of the 1,500 MW NJHPS, which is the largest hydroelectric power generation facility in India based on generation capacity, and is located in the geo-technically sensitive Himalayan region. We believe that we will be able to leverage our experience in developing the NJHPS to effectively develop and operate our existing pipeline of projects, as well as obtain new projects in the future.

Established track record of operational excellence. Since the commissioning of the NJHPS, we have consistently met or exceeded Government-set performance targets for our operations, and have been upgraded to a Schedule A public sector undertaking and designated as a Mini-Ratna Category-I public sector undertaking in recognition of our efforts. We have also obtained ISO quality certifications for our operations and several awards for excellence in various fields, such as corporate leadership, engineering, financial and operational strength, health and safety management, hydroelectric power development, social contribution and environmental management. We believe that our established performance track record and experience in executing, operating and managing the NJHPS will give us a competitive advantage in developing large hydroelectric power projects, both in India and abroad.

Stable revenue stream through long-term power purchase agreements with state electricity boards and distribution licensees. We have entered into ten power purchase agreements with state utilities in the Northern region of India, two of which are in the process of being renewed, under which all of the power generated by the NJHPS (except for 12% of our annual generation which is allocated to the state of Himachal Pradesh free-of-charge and an additional 1% of annual generation from projects located in the state of Himachal Pradesh which is allocated to a state-established local development fund) is sold to state electricity boards. See "***Risk Factors—Internal Risk Factors- Risks Relating to Our Business—We may be required to allocate an additional one percent of the power generated by the NJHPS to a local development fund established by the state government of Himachal Pradesh"*** —*on page xix*. Payment for sales of electricity to these state utilities are typically secured by forms of credit support such as letters of credit issued by reputable financial institutions or by state government guarantees.

Ability to capitalize on performance-based incentives under the current tariff regime. Since the full commissioning of the NJHPS in May 2004, we have consistently achieved a monthly plant availability factor of more than 82%, which is the normative annual plant availability factor which has been set by the CERC for the NJHPS under the new tariff regulations which are effective from April 1, 2009 to March 31, 2014. Subject to disruptions to our operations arising from factors not within our control such as water supply availability, silt levels, power evacuation constraints and prevailing weather conditions, we believe that we will be able to maintain our performance going forward, and will thus be eligible to recover the full amount of capacity charges as well as qualify for certain performance-based incentives under the new tariff regime based on excess generation and normative annual plant availability factor.

Established reputation for good corporate governance and environmental and social responsibility. We believe that our commitment to our social and environmental responsibilities has been key in establishing our reputation and credibility as a highly rated power generation company, which we will be able to leverage in tendering for new projects going forward, and will also prove to be advantageous in minimizing opposition from public interest groups, non-governmental organizations and local communities in our future project areas under development, thus facilitating our timely completion of such projects.

Existing committed work force. We fully recognize the contribution of our employees is integral to the achievement of our ambitious plans and have thus adopted an organizational philosophy which acknowledges and rewards their contributions.

Strong cash position to support project development and operations. We believe that our strong historical financial performance and steady cash flows from our existing operations at the NJHPS are sufficient to fund, through internal resources, the equity contribution portion for our existing pipeline of projects, and support our working capital requirements, while at the same time servicing and repaying our existing debt on a timely and reliable basis, and maintaining a healthy level of cash on our balance sheet. We believe that our strong cash position and cash flow generation capabilities from the NJHPS are attributable to a number of sustainable long-term factors, including stable customer demand, stable cost structure and an experienced and capable management team.

Guaranteed return on capital under prevailing tariff regime. Pursuant to past and prevailing Government policies, electricity tariffs which may be charged by a power producer with respect to power supplied by it from a particular project are determined based on a formula which incorporates a guaranteed return on equity. Under Government policies and prevailing regulations, up to 30% of aggregate project costs in relation to a project is eligible for the guaranteed rate of return on equity. We anticipate that we will be well positioned to benefit from Government policy incentives as the Indian energy sector continues to develop.

Our Strategy

The main elements of our business strategy include the following:

Pursue business and capacity expansion plans to meet rising energy demand and increase our market share. We anticipate that demand for energy in India will continue to increase, and we believe that we are well positioned to benefit from such increased demand. We estimate that we will add approximately 3,588 MW to our aggregate generation capacity through the development of our existing pipeline of projects, subject to unforeseen circumstances which may cause completion delays or revisions to project parameters, and intend to pursue new opportunities for hydroelectric power projects as they become available, both in India and in the surrounding regions or in countries such as Bhutan and Nepal and elsewhere, which we believe have great development potential.

Continue to provide sustainable and reliable electricity supply to our customers. We will continue to focus on providing reliable sustainable energy to new and existing customers through maintaining our performance standards at the NJHPS, as well as on the development of new hydroelectric power projects in an environmentally and socially responsible manner. To this end, we intend to focus on modernizing and maintaining our operations at the NJHPS in line with internationally recognized quality and technical standards, as well as invest in viable equipment upgrades to further optimize our performance.

Pursue diversification initiatives. We intend to diversify our business operations into various alternative energy projects, such as wind power and solar energy projects. In addition to this, we also intend to pursue geographical diversification through tendering for hydroelectric power projects outside of India, and to leverage our technical expertise and know-how in the hydroelectric power sector into establishing a technical consultancy and advisory business focusing thereon.

Maintain our focus on environmental and corporate social responsibility. We have undertaken a number of environmental and corporate social responsibility initiatives and intend to expand our involvement in these areas. We aim to conduct our business operations in a manner that promotes social responsibility, sustainable development, minimization of ecological and social disturbances and to raise the living standards of the local communities in our project areas and contribute to their advancement. We will continue to monitor developments in environmental and social conditions in our operational project areas with the objective of addressing any concerns in a timely manner.

Increase profitability and shareholder value through capitalization on efficiency incentives under the current tariff regime and the clean development mechanism scheme. We intend to pursue improvements to our profitability with the objective of increasing shareholder value through, among others, capturing to the maximum extent possible financial incentives and benefits associated with increased operational efficiency which are available under the current tariff regime, as well as through registering our hydroelectric power projects under the United Nations Framework Convention on Climate Change of 1994 to earn certified emission reduction credits, which may be sold to industrialised countries. We are also in the process of investigating other carbon trading initiatives which may be applicable to our projects.

SUMMARY FINANCIAL INFORMATION

The following tables set forth selected historical financial information derived from the Restated Financial Statements for the years ended March 31, 2009, 2008, 2007, 2006 and 2005 as well as the audited financial statements and for the nine-month period ending December 31, 2009. The restated summary financial information presented below should be read in conjunction with the financial statements included in this Red Herring Prospectus, the notes thereto and "***Management's Discussion and Analysis of Financial Condition and Results of Operations***" on page 127.

RESTATED STATEMENT OF ASSETS AND LIABILITIES

(Rs. million)

Particulars	As at Dec 31, 2009	As at March 31,				
		2009	2008	2007	2006	2005
A. FIXED ASSETS						
Gross Block	86,229.3	85,725.2	83,998.1	81,370.9	79,414.6	79,653.4
Less: Depreciation	15,472.2	12,183.6	10,340.8	7,883.3	5,425.7	3,605.6
Net Block	**70,757.1**	**73,541.6**	**73,657.3**	**73,487.6**	**73,988.9**	**76,047.8**
Capital Works In Progress	7,361.7	5,636.4	2,554.0	1,529.2	944.0	560.3
Advances for Capital Works	1,922.3	1,559.9	615.5	173.5	307.6	245.3
Construction Stores and Spares	6.1	6.3	6.6	135.8	19.6	7.9
Net Block (including capital work in progress)	**80,047.2**	**80,744.2**	**76,833.4**	**75,326.1**	**75,260.1**	**76,861.3**
B. INVESTMENTS	-	-	-	-	-	-
C. DEFFERED TAX ASSET (NET)						
Deferred Tax Asset	3,012.4	2,663.6	(22.3)	1,798.3	1,151.8	616.5
Less: Payable to Beneficiaries	3,012.4	2,663.6	(22.3)	1,798.3	1,151.8	616.5
-	-	-	-	-	-	-
D. CURRENT ASSETS, LOANS & ADVANCES						
Inventories	611.5	558.5	536.3	587.1	625.5	337.2
Sundry Debtors	2,660.4	3,645.5	3,169.6	2,508.3	7,578.9	3,332.2
Cash and Bank Balances	14,871.5	12,714.4	6,936.0	6,210.4	1,333.5	3,427.7
Other Current Assets	401.8	825.7	335.5	228.8	33.8	32.5
Loans and Advances	6,210.5	4,624.6	6,633.8	5,605.2	4,346.7	2,224.5
	24,755.7	22,368.7	17,611.2	15,139.8	13,918.4	9,354.1
E. LIABILITIES AND PROVISIONS						
Secured Loans	11,305.1	13,075.1	17,109.3	21,868.3	26,828.4	31,371.5
Unsecured Loans	6,393.7	8,349.3	3,091.5	3,373.7	3,998.9	4,945.5
Income Received in Advance (AAD)	8,493.5	8,493.5	6,491.1	4,488.7	2,526.6	538.7
Current Liabilities	4,118.9	4,995.3	5,447.1	3,386.2	3,356.2	2,718.8
Provisions	6,741.5	7,434.2	5,389.5	4,747.4	3,637.0	1,845.8
	37,052.7	42,347.4	37,528.5	37,864.3	40,347.1	41,420.3
F. SHARE APPLICATION MONEY	**167.0**	-	-	-	-	-
NET WORTH (A+B+C+D-E-F)	**67,583.2**	**60,765.5**	**56,916.1**	**52,601.6**	**48,831.4**	**44,795.1**
G. SHARE CAPITAL	**41,088.1**	**41,088.1**	**41,088.1**	**41,088.1**	**41,088.1**	**41,088.1**
H. RESERVES & SURPLUS	**26,495.1**	**19,677.4**	**15,828.0**	**11,513.5**	**7,743.3**	**3,707.0**
NET WORTH (G+H)	**67,583.2**	**60,765.5**	**56,916.1**	**52,601.6**	**48,831.4**	**44,795.1**

Notes:

There are no Revaluations Reserves/revaluations carried, so no adjustments are required.

The accompanying accounting policies & notes on accounts are an integral part of these statements.

Annexure II

RESTATED STATEMENT OF PROFITS & LOSSES

(Rs. million)

Particulars	For the nine months ended Dec 31, 2009	For the Year Ended 31st March				
		2009	2008	2007	2006	2005
INCOME						
Sales (Net)*	14,231.0	14,907.8	13,567.5	14,094.6	10,623.6	12,775.0
Other Income	869.0	1,440.6	1,055.3	667.1	2,885.8	674.2
Total	**15,100.0**	**16,348.4**	**14,622.8**	**14,761.7**	**13,509.4**	**13,449.2**
EXPENDITURE						
Generation , Administration and Other Expenses	1,099.1	1,775.1	1,498.7	1,383.3	1,248.2	1,049.2
Depreciation	3,259.9	2,342.3	2,399.2	2,456.1	2,325.6	2,182.8
Interest and Finance Charges	1,396.2	2,205.5	2,546.9	3,229.8	3,415.3	4,075.4
Total	**5,755.2**	**6,322.9**	**6,444.8**	**7,069.2**	**6,989.1**	**7,307.4**
PROFIT BEFORE TAX	**9,344.8**	**10,025.5**	**8,178.0**	**7,692.5**	**6,520.3**	**6,141.8**
Provision for Taxation						
Income Tax						
- Current Tax	1,591.1	2,425.5	1,002.4	1,185.5	659.4	242.3
Fringe Benefit Tax						
- Current Year	-	6.7	6.4	7.1	6.5	-
Wealth Tax	-	0.1	0.1	0.1	0.1	-
	1,591.1	2,432.3	1,008.9	1,192.7	666.0	242.3
Deferred Tax	348.9	2,685.9	1,820.6	646.4	535.3	616.5
Less: Recoverable/Payable	348.9	2,685.9	1,820.6	646.4	535.3	616.5
	-	-	-	-	-	-
Total Provision for Taxation	**1,591.1**	**2,432.3**	**1,008.9**	**1,192.7**	**666.0**	**242.3**
PROFIT AFTER TAX	**7,753.7**	**7,593.2**	**7,169.1**	**6,499.8**	**5,854.3**	**5,899.5**
Balance brought forward from last Year	19,677.4	15,828.0	11,513.5	7,743.3	3,707.0	(562.9)
Total available for Appropriation	27,431.1	23,421.2	18,682.6	14,243.1	9,561.3	5,336.6
APPROPRIATIONS						
Dividend						
- Interim	800.0	1,100.0	1,360.0	666.7	-	341.4
- Proposed	-	2,100.0	1,080.0	1,683.3	1,594.3	1,090.2
Total Dividend	**800.0**	**3,200.0**	**2,440.0**	**2,350.0**	**1,594.3**	**1,431.6**
Corporate Tax on Dividend						
- Interim	136.0	186.9	231.1	93.5	-	45.1
- Proposed	-	356.9	183.5	286.1	223.7	152.9
Total Tax on Dividend	**136.0**	**543.8**	**414.6**	**379.6**	**223.7**	**198.0**
BALANCE CARRIED TO BALANCE SHEET	**26,495.1**	**19,677.4**	**15,828.0**	**11,513.5**	**7,743.3**	**3,707.0**

* Tariff Adjustment and Advance Against Depreciation has been netted from Sales.
The Accompanying Accounting Policies and notes on accounts are an integral part of these statements.
There are no Extra Ordinary items.

Annexure III

RESTATED STATEMENT OF CASH FLOWS

(Rs. million)

		As at 31st Dec 2009	As at March 31, 2009	2008	2007	2006	2005
A.	**CASH FLOW FROM OPERATING ACTIVITIES**						
	Net Profit Before Tax, Prior Period Adjustments	**9,344.8**	**10,025.5**	**8,178.0**	**7,692.5**	**6,520.3**	**6,141.8**
	and Extra Ordinary Items						
	Adjustment for:						
	Advance Against Depreciation	-	2,002.4	2,002.4	1,962.1	1,987.9	538.7
	Depreciation	3,259.9	2,342.3	2,399.2	2,456.1	2,325.6	2,182.8
	Interest & Finance Charges	1,396.2	2,205.5	2,546.9	3,229.8	3,415.3	4,075.4
	Exchange rate variation/Fluctuation Adjustment account	-	(97.1)	(118.1)	52.0	(52.7)	235.0
	Rebate to Customers	(177.7)	(168.9)	(213.6)	(289.3)	(162.9)	(198.4)
	Debt/Stores written off	-	-	-	0.1	0.3	-
	Loss on Sale of Assets	-	-	-	0.4	0.3	-
	Operating Profit before Working Capital Changes	**13,823.2**	**16,309.7**	**14,794.8**	**15,103.7**	**14,034.1**	**12,975.3**
	Adjustment for:						
	Trade and Other Receivables	985.0	(475.9)	(661.3)	5,070.6	(4,246.7)	(3,212.7)
	Inventories	(53.0)	(22.2)	50.8	38.4	(288.3)	564.1
	Trade Payables and Other Liabilities	(876.4)	(451.8)	2,060.9	30.0	637.4	(239.9)
	Provisions	173.0	91.8	1,632.7	892.6	1,855.6	286.4
	Loans and Advances	(136.2)	2,994.9	(108.7)	(1,258.5)	(2,122.2)	(1,229.5)
	Other Current Assets	423.9	(490.2)	(106.7)	(195.0)	(1.3)	31.1
		20.1	1,646.6	2,867.7	4,578.1	(4,165.5)	(3,800.5)
	Cash generated from operations	14,339.5	17,956.3	17,662.5	19,681.8	9,868.6	9,174.8
	Taxes paid	(1,449.7)	(2,664.6)	(1,203.9)	(934.3)	(453.9)	(254.2)
	Net cash flow from Operating Activities-A	**12,889.8**	**15,291.7**	**16,458.6**	**18,747.5**	**9,414.7**	**8,920.6**
B.	**CASH FLOW FROM INVESTING ACTIVITIES**						
	Net Expenditure on Fixed Assets & CWIP, Advance for Capital Works & Construction Stores/Spares etc.	(2,562.7)	(6,247.0)	(4,602.4)	(2,560.8)	(1,523.7)	(882.4)
	Net cash used in Investing Activities – B	**(2,562.7)**	**(6,247.0)**	**(4,602.4)**	**(2,560.8)**	**(1,523.7)**	**(882.4)**
C.	**CASH FLOW FROM FINANCING ACTIVITIES**						
	Share Capital including share application money pending allotment	167.0	-	-	-	-	633.0
	Repayment of Long Term Borrowings	(5,110.0)	(4,752.4)	(5,735.6)	(5,791.2)	(5,489.7)	(2,481.2)
	Interest & Finance Charges Paid	(1,218.5)	(1,939.5)	(2,215.2)	(2,940.5)	(3,252.4)	(3,877.0)
	Proceeds from Borrowings	1,384.4	5,976.0	380.7	-	-	675.1
	Dividend	(2,900.0)	(2,180.0)	(3,043.3)	(2,261.0)	(1,090.2)	(341.4)
	Tax on Dividend	(492.9)	(370.4)	(517.2)	(317.1)	(152.9)	(45.2)
	Net Cash flow from Financing Activities – C	**(8,170.0)**	**(3,266.3)**	**(11,130.6)**	**(11,309.8)**	**(9,985.2)**	**(5,436.7)**
	Net Increase/Decrease in Cash and Cash equivalents (A+B+C)	**2,157.1**	**5,778.4**	**725.6**	**4,876.9**	**(2,094.2)**	**2,601.5**
	Cash and cash equivalents (Opening balance)	**12,714.4**	**6,936.0**	**6,210.4**	**1,333.5**	**3,427.7**	**826.2**
	Cash and cash equivalents (Closing balance)	**14,871.5**	**12,714.4**	**6,936.0**	**6,210.4**	**1,333.5**	**3,427.7**

Notes:

1. Cash and cash equivalents consist of cash in hand and bank balances.
2. The Previous year's figures have been regrouped/re-arranged/re-casted wherever necessary.

The Accompanying Accounting Policies and notes on accounts are an integral part of these statements.

3.

THE OFFER

The following table summarizes details of the Offer.

Offer for Sale:	415,000,000 Equity Shares
Of which	
Employee Reservation Portion*	3,350,000 Equity Shares
Net Offer (Offer for Sale less the Employee Reservation Portion)	411,650,000 Equity Shares
Of which:	
A. QIB Portion:	At least 246,990,000 Equity Shares
Of which:	
a. Mutual Fund Portion	12,349,500 Equity Shares(1)
b. Balance for all QIBs including Mutual Funds	234,640,500 Equity Shares(1)
B. Non-Institutional Portion:	Not less than 41,165,000 Equity Shares
Retail Portion:	Not less than 123,495,000 Equity Shares

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* *The order of the Department of Disinvestment, Ministry of Finance bearing no. 4(7)/ 2008- DD- II dated April 14 2010 provides for the reservation of 3,350,000 Equity Shares for Eligible Employees of our Company Any unsubscribed portion in the Employee Reservation Portion shall be added back to the Net Offer. In case of under-subscription in the Net Offer, spill-over to the extent of under-subscription shall be permitted from the Employee Reservation Portion to the Net Offer.*

(1) Allocation shall be made on a proportionate basis. Under-subscription, if any, in any category, except the QIB Portion, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company and the Selling Shareholder, in consultation with the BRLMs and the Designated Stock Exchange. 5% of the QIB Portion shall be available for allocation to Mutual Funds. Mutual Funds participating in the 5% reservation in the QIB Portion will also be eligible for allocation in the remaining QIB Portion. If at least 60% of the Net Offer cannot be allotted to QIBs, then the entire application money will be refunded

The Selling Shareholder in consultation with the BRLMS may decide to offer discount of Rs.[•] to the Offer Price determined pursuant to the completion of the Book Building Process to the Eligible Employees and Retail Individual Bidders

GENERAL INFORMATION

Our Company was incorporated on May 24, 1988 under the Companies Act with the RoC.

For further details in changes in our name and status, see section titled "***History and Certain Other Corporate Matters***" on page 99.

Registered and Corporate Office of our Company

SJVN Limited
Himfed Building
New Shimla
171 009
Himachal Pradesh
Tel: +91 177 267 0064
Fax: +91 177 267 0542
E-mail: investor.relations@sjvn.nic.in
Website: www.sjvn.nic.in.

Company identification number: U40101HP1988GOI008409

Address of the Registrar of Companies

Our Company is registered at the office of:

The Registrar of Companies Punjab, Himachal Pradesh and Chandigarh
Corporate Bhawan,
Plot No.4 B, Sector 27 B,
Madhya Marg,
Chandigarh 160 019
Phone: +91 172 263 9415 and 263 9416
Fax: +91 172 263 9416
Email: roc.chandigarh@mca.gov.in

Board of Directors

The following table sets out the current composition of our Board as on the date of the filing of this Red Herring Prospectus:

Name **Designation and DIN**	**Age (years)**	**Address**	**Term**	**Date of Appointment**
Mr. Hemant Kumar Sharma Chairman & Managing Director DIN: 00030716	56	Dhariwal House, Ram Nagar, Shimla – 171 004	5 years or date of superannuation whichever is earlier	July 18, 2005
Mr. Rajinder Singh Katoch Director (Personnel) DIN: 00822714	59	D-2/2223 Vasant Kunj New Delhi – 110 070	5 years or date of superannuation whichever is earlier	September 25, 2006
Mr. Raghunath Prasad Singh Director (Electrical) DIN: 01894041	55	Block - C, Flat No. 493 Divyajyoti Apartment, Sector – 19, Rohini, New Delhi – 110 085	5 Years or date of superannuation whichever is earlier	November 1, 2007
Mr. Sudhir Kumar Non Executive Director - GOI Nominee DIN: 02669103	54	T-6/41, Railway Officers Enclave, San Martin Marg, Chanakyapuri, New Delhi – 110 021	No term specified	September 29, 2009
Mr. Deepak Sanan Non Executive Director - GoHP Nominee DIN: 02830225	53	House No. 10, Type – V Kasumpati, Shimla - 171009	No term specified	April 8, 2010

Name Designation and DIN	Age (years)	Address	Term	Date of Appointment
Mr. Kamaljit Singh Gill Independent Director DIN: 02196903	64	73-A, Sahibjada Ajit Singh Road, Nagar Mithapur Road, PO Model Town, Jalandhar City (Punjab) – 144 003	3 years, with effect from the date of assumption of the charge of the post or until further orders, whichever is earlier	May 13, 2008
Mr. S.M. Lodha Independent Director DIN: 00742185	59	5, Panhar Worli Sea Face Mumbai – 400 018	3 years, with effect from the date of assumption of the charge of the post or until further orders, whichever is earlier	May 9, 2008
Mr. Kambhampati Subramanya Sarma Independent Director DIN: 01505787	66	8-2-677/B/1, Road No. 12, Banjara Hills, Hyderabad – 500 034	3 years, with effect from the date of assumption of the charge of the post or until further orders, whichever is earlier	May 2, 2008
Mr Ravi Dhingra Independent Director	61	31, Munirka Vihar, New Delhi - 67	3 years, with effect from the date of assumption of the charge of the post or until further orders, whichever is earlier	March 29, 2010
Ms Bharti Prasad Independent Director	60	C – 307, Hum Sub Apartments, Plot No. 14, Sector 4, Dwarka, New Delhi 110 075	3 years, with effect from the date of assumption of the charge of the post or until further orders, whichever is earlier	March 29, 2010

For details of our Directors, see section titled "***Our Management***" on page 104.

Company Secretary and Compliance Officer

Mr. P.S.R Murthy
SJVN Limited
Himfed Building
New Shimla -171 009
Himachal Pradesh
Tel: +91 177 267 0741
Fax: +91 177 267 0542
Email: psr.murthy@sjvn.nic.in

Investors may contact our Company Secretary and Compliance Officer in case of any Offer-related problems such as non-receipt of letters of allotment, credit of allotted shares in the respective beneficiary account or refund orders, etc.

All grievances relating to the ASBA process may be addressed to the Registrar to the Offer, with a copy to the SCSBs, giving full details such as name, address of the applicant, number of Equity Shares applied for, Bid Amount blocked, ASBA Account number and the Designated Branch of the SCSBs where the ASBA Form was submitted by the ASBA Bidders.

For all Offer-related queries and for redressal of complaints, investors may also write to the Book Running Lead Managers. All complaints, queries or comments received by SEBI shall be forwarded to the Book Running Lead Managers, who will be responsible for responding to such matters.

Book Running Lead Managers

JM FINANCIAL CONSULTANTS PRIVATE LIMITED
141, Maker Chambers III
Nariman Point

Mumbai 400 021, India
Tel: +91 22 6630 3030
Fax: +91 22 2204 7185
E-mail: sjvnipo@jmfinancial.in
Investor Grievance ID: grievance.ibd@jmfinancial.in
Website: www.jmfinancial.in
Contact Person: Lakshmi Lakshmanan
SEBI registration No.: INM000010361

IDFC Capital Limited
Naman Chambers, C 32 G Block,
Bandra Kurla Complex
Bandra (East)
Mumbai - 400 051, India
Tel: +91 22 6622 2600
Fax: +91 22 6622 2501
E-mail: sjvnl.ipo@idfcsski.com
Investor Grievance E-mail: complaints@idfcsski.com
Website: www.idfcsski.com
Contact Person: Mr. Hiren Raipancholia
SEBI registration number: INM000011336

IDBI Capital Market Services Limited
5th Floor, Mafatlal Centre,
Nariman Point,
Mumbai 400 021
Tel : +91 22 4322 1212(B)
Fax: +91 22 2285 0785
Email: sjvn.ipo@idbicapital.com
Investors Grievance id: redressal@idbicapital.com
Website: www.idbicapital.com
Contact Person : Mr. Hemant Bothra/ Mr Kartik Shah
SEBI registration No: INM000010866

SBI Capital Markets Limited
202, Maker Tower 'E', Cuffe Parade
Mumbai 400 005
Tel: +91 22 2217 8300
Fax.: +91 22 2218 8332
E-Mail: sjvn.ipo@sbicaps.com
Investor Grievance ID: investor.relations@sbicaps.com
Website: www.sbicaps.com
Contact Person: Ms. Nidhi Jain / Mr. Anurag Pandey
SEBI registration No: INM000003531

Domestic Legal Advisors to our Company

Fox Mandal & Co.
FM House
A- 9 Sector-9
NOIDA- 201301
NCR of Delhi
Tel: +91 120 430 5555
Fax.: +91 120 2542 222

Domestic Legal Advisors to the Underwriters

AZB & Partners
Plot No. A8, Sector 4
Noida 201 301, India

Tel: +91 120 417 9999
Fax.: +91 120 417 9900

International Legal Counsel

K&L Gates LLP
One Raffles Quay
Level #19-01, North Tower
Singapore 048583
Tel: +65 6507 8100
Fax: +65 6507 8111

Syndicate Members

JM FINANCIAL SERVICES PRIVATE LIMITED
Apeejay House, 3, Dinshaw Waccha Road, Churchgate,
Mumbai 400 021
Tel: +91 22 6704 3184/85
Fax.: +91 22 6654 1511
E-Mail: deepak.vaidya@jmfinancial.in, tn.kumar@jmfinancial.in
Website: www.jmfinancial.in
Contact Person: Deepak Vaidya and T.N. Kumar
SEBI Registration No.: BSE INB/F011054831, NSE INB/F231054835

IDBI Capital Market Services Limited
5th Floor, Mafatlal Centre,
Nariman Point,
Mumbai 400 021
Tel : +91 22 4322 1212(B)
Fax: +91 22 2285 0785
Email: sjvn.ipo@idbicapital.com
Investors Grievance id: redressal@idbicapital.com
Website: www.idbicapital.com
Contact Person : Mr. Hemant Bothra/ Mr Kartik Shah
SEBI registration No: INM000010866

SHAREKHAN LIMITED
A-206, Phoenix House, Phoenix Mills Compound, Senapati Bapat Marg,
Lower Parel, Mumbai – 400 013
Tel: +91 22 6748 2000
Fax.: +91 22 2498 2626
E-Mail: pankajp@sharekhan.com
Website: www.sharekhan.com
Contact Person: Pankaj Patel
SEBI Registration No.: BSE INB011073351, NSE INB231073330

SBICAP SECURITIES LIMITED
191, Maker Tower F, Cuffe Parade,
Mumbai 400 005
Tel: +91 22 3027 3309
Fax.: +91 22 3027 3402
E-Mail: prasad.chitnis@sbicapsec.com
Website: www.sbicapsec.com
Contact Person: Prasad Chitnis
SEBI Registration No.: BSE INB01105303, NSE INB231052938

Self Certified Syndicate Banks

The list of banks that have been approved by SEBI to act as SCSBs in respect of the ASBA Process are set forth in http://www.sebi.gov.in/pmd/scsb.pdf. For details on Designated Branches of SCSBs collecting the ASBA Bid cum Application Form, please refer to the above mentioned SEBI link.

Bankers to our Company

Sl. No.	Name of Bank	Particulars
1.	Axis Bank Limited	2A and B, Khan Market, New Delhi- 110003 Tel: +91 11 4175 7345 Fax: +91 11 2469 9371 Email ID: khanmarketbranchhead@axisbank.com Website: www.axisbank.com
2.	IDBI Bank Limited	Unit No. 2, Corporate Park Sion Trombay Road Chembur- Mumbai- 400 071 Tel: +91 22 6690 8402 Fax: +91 22 2528 6173 Email ID: mn.kamat@idbi.co.in Website: www.idbi.com
3.	IndusInd Bank Ltd.	M-56 Greater Kailash II, New Delhi- 110048 Tel: +91 11 2921 6539 Fax: +91 11 2921 6537 Email ID: denp@indusind.com Website: www.indusind.com
4.	Jammu and Kashmir Bank Limited	G-40, Connaught Place, New Delhi- 110001 Tel: +91 11 2335 2098 Fax: +91 11 2335 2103 Email ID: circus@jkbmail.com Website: www.jkbank.net
5.	Oriental Bank of Commerce Limited	E Block, Connaught Place, New Delhi- 110001 Tel: +91 11 4765 1186 Email ID: bm1297@obc.co.in Website: www.obcindia.co.in
6.	Yes Bank Limited	2nd Floor, Tiecicon House, Dr. E. Moses Road Mahalaxmi, Mumbai- 400 011 Tel: +91 22 6622 9031 Fax: +91 22 2497 4875 Email ID: dlbtiservices@yesbank.in Website: www.yesbank.in
7.	Dena Bank	3 Mangal Bhawan, Aryasamaj Road Karol Bagh, New Delhi- 110 005 Tel: +91 11 2875 4099/ 2406 Fax: +91 11 2875 3195 Email ID: karolb@denabank.co.in Website: www.denabank.com
8.	Punjab National Bank	D-9 Lane 1, Sector 1 New Shimla- 171 009 (HP) Tel: +91 17 7267 0443 Fax: + 91 17 7267 0443 Email ID: bo450000@pnb.co.in Website: www.pnb.com
9.	HDFC Bank Limited	FIG-OPS Department, HDFC Bank Limited Lodha-I Think Techno Campus O-3 Level, Next to Khanjurmarg Railway Station Khanjurmarg (East), Mumbai- 400 042 Tel: +91 22 3027 2928 Fax: +91 22 2579 9801 Email: deepak.rane@hdfcbank.com Website: www.hdfcbank.com

Registrar to the Offer

Link Intime India Private Limited
C-13, Pannalal Silk Mills Compound,
L.B.S. Marg, Bhandup (West)

Mumbai 400 078
Telephone No.: +91 22 2596 0320
Fax No.:+91 22 2596 0329
Email ID: sjvnl.ipo@linkintime.co.in
Website:www.linkintime.co.in
Contact Person: Mr. Vishwas Attavar
SEBI Registration No.: INR000004058

Bankers to the Offer/ Escrow Collection Banks

S No.	Name	Particulars
1	**Axis Bank Limited**	2A and B, Khan Market, New Delhi- 110003 Tel: +91 11 4175 7345 Fax: +91 11 2469 9371 Email ID: khanmarketbranchhead@axisbank.com Website: www.axisbank.com Contact Person: Mr Sanjay Malhotra SEBI Registration No: INB100000017
2	**HDFC Bank Limited**	FIG-OPS Department, HDFC Bank Limited Lodha-I Think Techno Campus O-3 Level, Next to Khanjurmarg Railway Station Khanjurmarg (East), Mumbai- 400 042 Tel: +91 22 3027 2928 Fax: +91 22 2579 9801 Email: deepak.rane@hdfcbank.com Website: www.hdfcbank.com Contact Person: Deepak Rane SEBI Registration No: INB100000063
3	**State Bank of India**	Capital Market Branch Mumbai Main Branch Building Mumbai Samachar Marg, Fort, Mumbai- 400023 Tel: +91 22 2266 2133 Fax: +91 22 2266 4959 Email ID: sbi.11777@sbi.co.in Website: www.statebankofindia.com Contact Person: Surekha Shinde SEBI Registration No: INB100000038
4	**Kotak Mahindra Bank Limited**	5th Floor, Dani Corporate Park 158, CST Road, Santacruz (E) Mumbai- 400098 Tel: +91 22 6759 5336 Fax: +91 22 6759 5374 Email ID: amit.kr@kotak.com Website: www.kotak.com Contact Person: Amit Kumar SEBI Registration No: INB100000927
5	**The Hong Kong and Shanghai Banking Corporation Limited**	HSBC Securities Services Department, Shiv Building 2nd Floor, Plot No 139-140 B Western Express Highway, Sahar Road Junction, Vile Parle (East), Mumbai- 400057, Maharashtra, India Tel: +91 98217 80250 Fax: +91 22 4035 7657 Email ID: mustafasanchawalla@hsbc.co.in Website: www.hsbc.co.in Contact Person: Mustafa Sanchawalla SEBI Registration No: INB100000027
6	**ICICI Bank Limited**	Capital Markets Group No. 30 Mumbai Samachar Marg, Fort, Mumbai- 400001 Tel: +91 95601 93261 Fax: +91 22 2261 1138 Email ID: sidhartha.routray@icicibank.com Website: www.icicibank.com Contact Person: Sidhartha Routray SEBI Registration No: INB100000004
7	**Yes Bank Limited**	2nd Floor, Tiecicon House, Dr. E. Moses Road Mahalaxmi, Mumbai- 400 011 Tel: +91 22 6622 9031 Fax: +91 22 2497 4875 Email ID: dlbtiservices@yesbank.in Webiste: www.yesbank.in Contact Person: Mahesh Shirali SEBI Registration No: INB100000935

Refund Banks

S No.	Name	Particulars
1	**HDFC Bank Limited**	FIG-OPS Department, HDFC Bank Limited Lodha-I Think Techno Campus O-3 Level, Next to Khanjurmarg Railway Station Khanjurmarg (East), Mumbai- 400 042 Tel: +91 22 3027 2928 Fax: +91 22 2579 9801 Email: deepak.rane@hdfcbank.com Website: www.hdfcbank.com Contact Person: Deepak Rane
2	**State Bank of India**	Capital Market Branch Mumbai Main Branch Building Mumbai Samachar Marg, Fort, Mumbai- 400023 Tel: +91 22 2266 2133 Fax: +91 22 2266 4959 Email ID: sbi.11777@sbi.co.in Website: www.statebankofindia.com Contact Person: Surekha Shinde
3	**Kotak Mahindra Bank Limited**	5th Floor, Dani Corporate Park 158, CST Road, Santacruz (E) Mumbai- 400098 Tel: +91 22 6759 5336 Fax: +91 22 6759 5374 Email ID: amit.kr@kotak.com Website: www.kotak.com Contact Person: Amit Kumar

Statutory Auditors of our Company

Hingorani M & Co., Chartered Accountants
35, Netaji Subhash Marg
Dariya Ganj, New Delhi- 110 002
Tel: +91 11 4106 8129/ 4107 1344
Fax: +91 11 2326 8129
Email: hmc@vsnl.net
Contact Person: Mr. Pradeep Kumar
Firm Registration No: 006772N

For details of changes in Auditors, see section titled "***Other Regulatory and Statutory Disclosures – Changes in Auditors***" on page 171

Internal Auditors of our Company

M/s H.K. Khanna & Co
B-19 Greater Kailash II
New Delhi- 110 048
Tel: +91 11 2922 4628
Fax: +91 11 2922 8155
Email: harsh.khanna@hotmail.com
Contact Person: Mr. H.K. Khanna
Registration No: 000575N

M/s Indra D. Narayan & Co.
165, Vinoba Puri, Lajpat Nagar- II
New Delhi- 110 024
Tel: +91 11 2983 2137/ 7399
Fax: +91 4172 5626

Email: idnca@rediffmail.com
Contact Person: Indra D. Narayan
Registration No: 005630N

IPO Grading Agency

Credit Analysis and Research Limited
710, Suryakiran Building, 19, K.G. Marg
New Delhi- 110001
Tel: +91 11 2371 6199
Fax: +91 11 2331 8701
Email: sudhir.kumar@careratings.com
Contact Person : Sudhir Kumar

Statement of *Inter se* Allocation of Responsibilities for the Offer

The following table sets forth the *inter se* distribution of responsibility and coordination for various activities in relation to the Offer among the BRLMs:

S. No	Activity	Responsibility	Designated Coordinating Book Running lead Manager
1	Capital structuring with relative components and formalities such as type of instruments., etc.	JM Financial, IDFC Capital, IDBICAPS and SBI CAPS	JM Financial
2	Due-diligence of our Company including operations/management/ business plans/legal, etc. drafting and design of this Red Herring Prospectus, the Red Herring Prospectus including the memorandum containing salient features of the Prospectus. The Book Running Lead Managers shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges, the RoC and SEBI, including finalisation of Prospectus and the RoC filing	JM Financial, IDFC Capital, IDBICAPS, SBI CAPS	JM Financial
3	Drafting and approving all statutory advertisements	JM Financial, IDFC Capital, IDBICAPS, SBI CAPS	JM Financial
4	Drafting and approving non-statutory advertisements including corporate advertisements	JM Financial, IDFC Capital, IDBICAPS, SBI CAPS	IDBICAPS
5	Preparation and finalization of the road-show presentation and frequently asked questions for the road-show team	JM Financial, IDFC Capital, IDBICAPS, SBI CAPS	IDBICAPS
6	Appointment of intermediaries, viz., i. Printer(s) ii. Registrar to the Offer iii. Advertising agency iv. Bankers to the Offer	JM Financial, IDFC Capital, IDBICAPS, SBI CAPS	i. Printer(s): JM Financial ii. Registrar to the Offer: SBI CAPS iii. Advertising agency: SBI CAPS iv. Bankers to the Offer: JM Financial

S. No	Activity	Responsibility	Designated Coordinating Book Running lead Manager
7	Non-institutional and retail marketing of the Offer, which will cover, inter alia, • Formulating marketing strategies, preparation of publicity budget • Finalizing media and public relations strategy • Finalizing centers for holding conferences for brokers, etc. • Follow-up on distribution of publicity and Offer material including application form, prospectus and deciding on the quantum of the Offer material • Finalizing collection centers	JM Financial, IDFC Capital, IDBICAPS, SBI CAPS	IDFC Capital
8	International Institutional marketing International Institutional marketing of the Offer, which will cover, inter alia, • Institutional marketing strategy • Finalizing the list and division of investors for one to one meetings, and • Finalizing road show schedule and investor meeting schedules	JM Financial, IDFC Capital, IDBICAPS, SBI CAPS	IDBICAPS
9	Domestic Institutional marketing Domestic Institutional marketing of the Offer Finalizing the list and division of investors for one to one meetings	JM Financial, IDFC Capital, IDBICAPS, SBI CAPS	JM Financial
10	Co-ordination with Stock Exchanges for Book Building Process software, bidding terminals and mock trading	JM Financial, IDFC Capital, IDBICAPS, SBI CAPS	SBI CAPS
11	Managing the book and finalisation of pricing in consultation with our Company	JM Financial, IDFC Capital, IDBICAPS, SBI CAPS	SBI CAPS
12	Post bidding activities including management of escrow accounts, co-ordination of allocation, finalization of basis of Allotment / weeding out of multiple applications, intimation of allocation and dispatch of refunds to bidders, dealing with the various agencies connected with the work such as Registrars to the Offer, Bankers to the Offer, Self Certified Syndicate Banks and the bank handling refund business etc. The designated coordinating Book Running Lead Manager shall be responsible for ensuring that the intermediaries fulfill their functions and enable him to discharge this responsibility through suitable agreements with our Company.	JM Financial, IDFC Capital, IDBICAPS, SBI CAPS	SBI CAPS

The Book Running Lead Managers may appoint intermediaries or other agents to carry out any of the activities specified above, subject to such BRLM retaining responsibility for ensuring that such appointees fulfil their respective functions and discharge the relevant responsibility through suitable agreements with our Company and the Selling Shareholder.

Credit Rating

As the Offer is of equity shares, a credit rating is not required.

IPO Grading

Pursuant to the SEBI ICDR Regulations, the Offer has been graded by Credit Analysis and Research Limited ("**CARE**")**,** a SEBI registered credit rating agency, as 4 indicating above average fundamentals. The IPO grade is assigned on a five point scale from 1 to 5, with IPO grade 5/5 indicating strong fundamentals and IPO grade 1/5 indicating poor fundamentals. A copy of the report provided by CARE, furnishing the rationale for its grading is available for inspection at our Registered Office from 10 a.m. to 5 p.m. on Business Days during the Bidding Period. A copy of the report, along with the rationale for the grading is also attached to this RHP as Annexure on page 247

Trustees

As the Offer is of equity shares, the appointment of trustees is not required.

Project Appraisal

As there is no requirement applicable to our projects which require appraisal(s) to be undertaken, none of our projects have been appraised.

Experts

Except for the report of CARE in respect of the IPO Grading of the Offer (a copy of which will be annexed to the Red Herring Prospectus as an Annexure), furnishing the rationale for its grading which will be provided to the Designated Stock Exchange and except for the reports of the Auditors of our Company on the Restated Financial Statements and Statement of Tax Benefits, included in this Red Herring Prospectus, our Company has not obtained any expert opinions.

Book Building Process

The Book Building Process with regard to the Offer, refers to the process of collection of Bids, on the basis of the Red Herring Prospectus, the Bid cum Application Form and the ASBA form within the Price Band. The Offer Price is fixed after the Bid/Offer Closing Date.

The principal parties involved in the Book Building Process are:

(1) Our Company;

(2) The Selling Shareholder;

(3) The Book Running Lead Managers;

(4) Syndicate Members who are intermediaries registered with SEBI or registered as brokers with BSE/NSE and eligible to act as underwriters. Syndicate Members are appointed by the BRLMs;

(5) The Registrar to the Offer;

(6) The Escrow Collection Banks; and

(7) The SCSBs

Pursuant to the provisions of regulation 41 (2) (a) of the SEBI ICDR Regulations, the Net Offer consists of an offer for sale of less than 10% of the issued and paid up share capital of our Company and is being made through a 100% Book Building Process in compliance with the provisions of Rule 19(2)(b) of the SCRR.

Accordingly, pursuant to Rule 19(2) (b) of the SCRR, as the Offer is an offer of less than 25% of the post-Offer capital, the Offer shall be made through a 100% Book Building Process wherein at least 60 % of the Equity Shares in the Net Offer will be Allotted on a proportionate basis to QIBs. If at least 60% of the Net Offer cannot be Allotted to QIBs, then the entire application money will be refunded forthwith. Further, not less than 10% of the Net Offer will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Net Offer will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Offer Price. Under-subscription, if any, in any category, except the QIB Portion, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company, in consultation with the BRLMs and the Designated Stock Exchange.

In accordance with the SEBI ICDR Regulations, QIBs bidding in the QIB Portion are not allowed to withdraw their Bid(s) after the Bid/Offer Closing Date. In addition, QIBs bidding in the QIB Portion will be required to pay at least 10% of the Bid Amount upon submission of the Bid cum Application Form during the Bidding Period and allocation to QIBs will be on a proportionate basis. For further information, see section titled ''***Offer Procedure***'' on page 191.

Each of our Company and the Selling Shareholder shall comply with SEBI ICDR Regulations and any other ancillary directions issued by SEBI for the Offer. In this regard, our Company has appointed JM Financial, IDFC Capital, IDBICAP and SBI CAPS as the BRLMs to manage the Offer and to procure subscriptions to the Offer.

The Book Building Process is subject to change from time to time and the investors are advised to make their own judgment about investment through this process prior to making a Bid in the Offer.

Illustration of Book Building and Price Discovery Process *(Investors should note that this example is solely for illustrative purposes and is not specific to the Offer)*

Bidders can bid at any price within the Price Band. For instance, assuming a price band of Rs. 20 to Rs. 24 per Equity Share, offer size of 3,000 Equity Shares and receipt of five bids from bidders, details of which are shown in the table below, A graphical representation of the consolidated demand and price would be made available at the bidding centres during the bidding period the illustrative book as shown below shows the demand for the shares of the Company at various prices and is collated from bids received from various investors.

Bid Quantity	Bid Price (Rs.)	Cumulative Quantity	Subscription
500	24	500	16.67%
1,000	23	1,500	50.00%
1,500	22	3,000	100.00%
2,000	21	5,000	166.67%
2,500	20	7,500	250.00%

The price discovery is a function of demand at various prices. The highest price at which our Company and the Selling Shareholder will be able to offer the desired number of Equity Shares is the price at which the book cuts off, i.e., Rs. 22 in the above example. The Company and the Selling Shareholder in consultation with the BRLMs, will finalise the Offer Price at or below such cut-off price, i.e., at or below Rs. 22. All bids at or above the Offer price and cut-off bids are valid bids and are considered for allocation in the respective categories.

Steps to be taken by a Bidder in making a Bid:

- Check your eligibility for making a Bid (for further information, see section titled "***Offer Procedure-Who can Bid***") on page 191);
- Ensure that you have a demat account and your demat account details are correctly mentioned in the Bid cum Application Form or the ASBA form, as the case may be;
- Except for Bids on behalf of the Government, state governments, court-appointed officials and residents of the state of Sikkim for Bids of all values ensure that you have mentioned your PAN allotted under the I.T. Act in the Bid cum Application Form and the ASBA Bid cum Application Form (see section titled "***Offer Procedure – Permanent Account Number or PAN***" on page 211).
- Ensure that the Bid cum Application Form or the ASBA Form is duly completed as per instructions given in this Red Herring Prospectus and in the respective forms.
- Ensure the correctness of your demographic details (as defined in the "***Offer Procedure-Bidders Depository Account Details***" on page 199 given in the Bid cum Application Form and the ASBA Bid cum Application Form, with the details recorded with your Depository Participant.
- Bids by QIBs are to be submitted directly to the BRLMs.
- Bids by ASBA Bidders should be submitted to the Designated Branches of the SCSBs. ASBA Bidders should ensure that the ASBA accounts have adequate credit balances at the time of submission of their Bids to the SCSBs to ensure that the ASBA Bid cum Application Form is not rejected.

Withdrawal of the Offer

Our Company and the Selling Shareholder, in consultation with the BRLMs, reserve the right not to proceed with the Offer any time after the Bid/Offer Opening Date but before the Allotment of the Equity Shares. In the event of withdrawal of the Offer, the reasons therefore shall be disclosed in a public notice which shall be published within two days of the Bid/ Offer Closing Date in the English and Hindi national newspapers, in which the pre-Offer advertisement was published, each with wide circulation and the Stock Exchanges shall be informed promptly. The BRLMs, through the Registrar to the Offer, shall notify the SCSBs to unblock bank accounts of the ASBA Bidders within one day from the receipt of such notification. Further, in the event of withdrawal of the Offer and subsequently, plans of a further public offer by our Company, a fresh Red Herring Prospectus will be submitted again for observations of SEBI.

Notwithstanding the foregoing, the Offer is subject to our Company obtaining final listing and trading approvals of the Stock Exchanges and the final RoC approval of the Prospectus after it is filed with the RoC.

In terms of the SEBI ICDR Regulations, QIBs shall not be allowed to withdraw their Bids after the Bid/Offer Closing Date.

Offer Program

Bidding Period

BID OPENS ON	**April 29, 2010**
BID CLOSES ON	**May 3, 2010**

Bids and any revision in Bids will be accepted **only between 10 a.m. and 5 p.m**. (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centers specified in the Bid cum Application Form or in case of Bids submitted through ASBA, the Designated Branches of the SCSBs **except that on the Bid/Offer Closing Date, Bids excluding ASBA Bids shall be accepted only between 10 a.m. and 3 p.m.** (Indian Standard Time) and uploaded until (i) 4.00 p.m. in case of Bids by QIB Bidders and Non-Institutional Bidders; and (ii) 5.00 pm or until such time as permitted by the Stock Exchanges in case of Bids by Retail Individual Bidders. Due to limitation of time available for uploading the Bids on the Bid/Offer Closing Date, Bidders are advised to submit their Bids one day prior to the Bid/Offer Closing Date and, in any case, no later than 1.00 p.m. (Indian Standard Time) on the Bid/Offer Closing Date. Bidders are cautioned that in the event a large number of Bids are received on the Bid/Offer Closing Date, as is typically experienced in initial public offers, which may lead to some Bids not being uploaded due to lack of sufficient time to upload, such Bids that cannot be uploaded will not be considered for allocation in the Offer. Each of our Company, the Selling Shareholder, the BRLMs and the Syndicate Members expressly disclaim responsibility for failure of any Bids to upload. Bids will be accepted only on Business Days, i.e. Monday to Friday (excluding any public holiday).

On the Bid/Offer Closing Date, extension of time may be granted by the Stock Exchanges only for uploading the Bids received for an amount upto Rs.100,000 by Retail Individual Bidders and Eligible Employees bidding under the Employee Reservation Portion, after taking into account the total number of Bids received up to the closure of timings for acceptance of Bid-cum Application Forms and ASBA Forms as stated herein and reported by the BRLMs to the Stock Exchanges within half an hour of such closure.

Our Company and the Selling Shareholder reserve the right to revise the Price Band during the Bidding Period in accordance with SEBI ICDR Regulations. The cap on the Price Band shall not be more than **20**% of the Floor Price. Subject to compliance with the immediately preceding sentence, the Floor Price may move up or down to the extent of 20% of the Floor Price originally disclosed in the Red Herring Prospectus and the Cap Price will be revised accordingly.

If the Price Band is revised, the Bidding Period will be extended for three additional working days after such revision, subject to the Bidding Period not exceeding a total of 10 working days. Any revision in the Price Band and the Bidding Period, if applicable, will be notified to the Stock Exchanges, a press release will be issued and such revisions will also be indicated on the websites of each of the BRLMs and the terminals of the Syndicate Members.

Underwriting Agreement

After the determination of the Offer Price but prior to filing of the Prospectus with the RoC, each of our Company and the Selling Shareholder will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through the Offer. It is expected that pursuant to the terms of the Underwriting Agreement, the BRLMs shall be responsible for bringing in the amount devolved in the event that the Syndicate Members do not fulfill their underwriting obligations. Pursuant to the terms of the Underwriting Agreement, the obligations of the Underwriters will also be subject to certain conditions to closing, as specified therein.

The Underwriting Agreement is dated [●]. The Underwriters have indicated their intention to underwrite the following number of Equity Shares:

(This portion has been intentionally left blank and will be filled in before filing of the Prospectus with the RoC)

Name, Address, telephone, fax and email of the Underwriters	Indicative Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. in million)
[●]	[•]	[•]
[●]	[•]	[•]
[●]	[•]	[•]
[●]	[•]	[•]
[●]	[•]	[•]
Total	[•]	**[•]**

The abovementioned is indicative and is subject to finalisation and the execution of definitive documentation after the pricing and actual allocation.

In the opinion of our Board of Directors (based on certificates dated [•] given to them by the Underwriters), the resources of each of the Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. Each of the abovementioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as brokers with the Stock Exchanges. Our Board of Directors, at its meeting held on [●] has accepted and entered into the Underwriting Agreement with the Underwriters.

Allocation among Underwriters may not necessarily be in proportion to their underwriting commitments set forth in the table above. Notwithstanding the above table, the Underwriters shall be severally responsible for ensuring payment with respect to the Equity Shares allocated to investors procured by them. In the event of any default, the respective Underwriters in addition to other obligations to be defined in the Underwriting Agreement, will also be required to procure/subscribe to the extent of the defaulted amount, except in cases where the Allotment to QIB is less than 60% of the Net Offer, in which case the entire subscription monies will be refunded.

The Underwriting arrangements mentioned above shall not apply to subscriptions by ASBA Bidders in the Offer.

CAPITAL STRUCTURE

The share capital of our Company as of the date of this Red Herring Prospectus, before and after the Offer, is set forth below.

(*Amount in Rs. except share data*)

			Aggregate Nominal Value	Aggregate Value at Offer Price
A)	**AUTHORISED SHARE CAPITAL***			
	7,000,000,000 Equity Shares of Rs. 10 each		70,000,000,000	
B)	**ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL BEFORE THE OFFER**			
	4,136,626,500 Equity Shares of Rs. 10 each (fully paid-up)		41,366,265,000	
C)	**PRESENT OFFER IN TERMS OF THIS RED HERRING PROSPECTUS****			
	Offer for sale of 415,000,000 Equity Shares of Rs. 10 each by the President of India		4,150,000,000	[●]
	Of which			
(i)	**Employee Reservation Portion** ***	3,350,000 Equity Shares are reserved for Allotment to Eligible Employees	33,500,000	
(ii)	**Net Offer to Public**	411,650,000 Equity Shares	4,116,500,000	
	Of which			
	QIB Portion	At least 246,990,000 Equity Shares	2,469,900,000	
	Non Institutional Portion	Not less than 41,165,000 Equity Shares	411,650,000	
	Retail Portion	Not less than 123,495,000 Equity Shares	1,234,950,000	
D)	**PAID UP EQUITY CAPITAL AFTER THE OFFER ********			
	4,136,626,500 Equity Shares of Rs. 10 each		41,366,265,000	
E)	**SHARE PREMIUM ACCOUNT ********			
	Before the Offer		131,275,000	
	After the Offer		131,275,000	

* *With effect from September 10, 2009, the equity shares of the face value of Rs. 1,000 each have been split into Equity Shares of the face value of Rs. 10 each. For details of increase in our authorised share capital see section titled "**History and Certain Other Corporate Matters**" on page 99*

** *The Offer has been approved by the GoI vide revised letter dated April 13, 2010 authorizing the disinvestment of 415,000,000 equity shares of our Company aggregating approximately 10.03% of the paid-up share capital of our Company and noted by the Board through its resolution dated April 13 2010. The Offer is through an Offer for Sale by the President of India, acting through the MoP, of up to* 415,000,000 *Equity Shares (based on the current issued, subscribed and paid up share capital of our Company of 4,136,626,500Equity Shares), such shares currently being held by President of India.*

*** *The order of the Department of Disinvestment, Ministry of Finance bearing no. 4(7)/ 2008- DD- II dated April 14 2010 provides for the reservation of 3,350,000 Equity Shares for Eligible Employees of our Company.*

**** *As this is an offer for sale, the issued, subscribed, paid-up share capital and the share premium account of our Company will remain unchanged*

In terms of sub clause (a) of second proviso to sub-regulation 6 of regulation 26 of the SEBI Regulations, as this is an offer for sale of equity shares of a government company engaged in the infrastructure sector, the requirement of holding equity shares by the Selling Shareholder for a period of one year as on the date of filing of the Red Herring Prospectus with SEBI, is not applicable.

By way of letter bearing no. bearing no. 6\23\2010-FJU dated April 13, 2010 FIPB has clarified that its FIPB approval is not required for the transfer of the Equity Shares to non resident investors. Further, the RBI vide its letter dated April 15, 2010 and bearing no. FE.CO.FID.No.- /10.21.185/2009-10 has confirmed that it has no objection to the transfer of 415,000,000 Equity Shares by the President of India, acting through the Ministry of Power, Government of India

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Any reference to the GoI in this section shall mean the President of India acting through the MoP and any reference to the GoHP in this section shall mean the Governor of Himachal Pradesh.

Notes to Capital Structure

1. *Share Capital History of our Company*

The following is the history of the share capital of our Company:

Date of allotment	No. of equity shares	Face Value (Rs.)	Issue Price (Rs.)	Consideration (Cash, other than cash etc.)	Nature of allotment	Cumulative Equity Share capital (Rs.)
May 24, 1988	8	1,000	1,000	Cash	Subscription to Memorandum of Association*	8,000
June 27, 1990	1,112,092	1,000	1,000	Cash	Further allotment of shares	1,112,100,000
May 15, 1991	500,000	1,000	1,000	Cash	Further allotment of shares	1,612,100,000
November 23, 1992	250,000	1,000	1,000	Cash	Further allotment of shares	1,862,100,000
December 19, 1992	113,800	1,000	1,000	Cash	Further allotment of shares	1,975,900,000
May 14, 1993	400,000	1,000	1,000	Cash	Further allotment of shares	2,375,900,000
April 19, 1994	950,000	1,000	1,000	Cash	Further allotment of shares	3,325,900,000
August 4, 1994	325,000	1,000	1,000	Cash	Further allotment of shares	3,650,900,000
September 10, 1994	300,000	1,000	1,000	Cash	Further allotment of shares	3,950,900,000
January 12, 1995	350,000	1,000	1,000	Cash	Further allotment of shares	4,300,900,000
May 31, 1995	520,500	1,000	1,000	Cash	Further allotment of shares	4,821,400,000
September 25, 1995	512,700	1,000	1,000	Cash	Further allotment of shares	5,334,100,000
January 31, 1996	356,000	1,000	1,000	Cash	Further allotment of shares	5,690,100,000
November 12, 1996	1,131,300	1,000	1,000	Cash	Further allotment of shares	6,821,400,000
December 30, 1996	758,300	1,000	1,000	Cash	Further allotment of shares	7,579,700,000
June 6, 1997	2,890,000	1,000	1,000	Cash	Further allotment of shares	10,469,700,000
November 4, 1997	2,683,992	1,000	1,000	Cash	Further allotment of shares	13,153,692,000
June 10, 1998	2,079,208	1,000	1,000	Cash	Further allotment of shares	15,232,900,000
June 10, 1998	146,900	1,000	1,000	Other than Cash	Further allotment of shares	15,379,800,000
March 30, 1999	4,110,000	1,000	1,000	Cash	Further allotment of shares	19,489,800,000
April 28, 1999	50,000	1,000	1,000	Cash	Further allotment of shares	19,539,800,000
April 29, 1999	25,000	1,000	1,000	Cash	Further allotment of shares	19,564,800,000
June 14, 1999	717,500	1,000	1,000	Cash	Further allotment of shares	20,282,300,000

Date of allotment	No. of equity shares	Face Value (Rs.)	Issue Price (Rs.)	Consideration (Cash, other than cash etc.)	Nature of allotment	Cumulative Equity Share capital (Rs.)
July 22, 1999	350,000	1,000	1,000	Cash	Further allotment of shares	20,632,300,000
July 22, 1999	23	1,000	1,000	Other than Cash	Further allotment of shares	20,632,323,000
September 20, 1999	894,169	1,000	1,000	Cash	Further allotment of shares	21,526,492,000
November 25, 1999	327,651	1,000	1,000	Cash	Further allotment of shares	21,854,143,000
March 22, 2000	2,768,180	1,000	1,000	Cash	Further allotment of shares	24,622,323,000
September 29, 2000	1,639,300	1,000	1,000	Cash	Further allotment of shares	26,261,623,000
April 27, 2001	3,250,000	1,000	1,000	Cash	Further allotment of shares	29,511,623,000
September 28, 2001	1,461,649	1,000	1,000	Cash	Further allotment of shares	30,973,272,000
May 6, 2002	5,811,868	1,000	1,000	Cash	Further allotment of shares	36,785,140,000
January 10, 2003	1,470,000	1,000	1,000	Cash	Further allotment of shares	38,255,140,000
July 25, 2003	350,000	1,000	1,000	Cash	Further allotment of shares	38,605,140,000
September 26, 2003	1,200,000	1,000	1,000	Cash	Further allotment of shares	39,805,140,000
February 17, 2004	450,000	1,000	1,000	Cash	Further allotment of shares	40,255,140,000
July 6, 2004	350,000	1,000	1,000	Cash	Further allotment of shares	40,605,140,000
December 2, 2004	400,000	1,000	1,000	Cash	Further allotment of shares	41,005,140,000
March 1, 2005	83,000	1,000	1,000	Cash	Further allotment of shares	41,088,140,000
Sub division of nominal value of Equity Shares of our Company from Rs. 1, 000 per equity shares to Rs. 10 per Equity Shares with effect from September 10, 2009. Cumulative number of equity shares increased from 41,088,140 equity shares of Rs. 1,000 each to 4,108,814,000 Equity Shares of Rs.10 each						
April 13, 2010**	27,812,500	10	14.72	Cash	Preferential allotment of shares	41,366,265,000
Total						41,366,265,000

* *Initial allotment of two equity shares of face value Rs. 1,000 each in favour of Mr. M.M. Kohli and Mr. V.K. Khanna and one equity share of face value Rs. 1,000 each in favour of Mr. J.C. Gupta, Mr. U.V. Bhat, Mr. Kailash Chand Mahajan and Mr. M.C. Tiwari, each such individual shareholder being the nominee of President of India. Further, one equity share each of face value Rs. 1, 000 was allotted in favour of the nominees of GoHP i.e. Mr. Kailash Chand Mahajan and Mr. M.C. Tiwari. However, these equity shares were held on behalf of GoI.*

** *Pursuant to the GoI approval dated April 13, 2010, our Company has allotted 27,812,500 Equity Shares to the GoHP on April 13, 2010 at a price of Rs 14.72 per equity share aggregating to Rs 409.40 million*

(2) Except as mentioned below no allotments of shares have been made by our Company for consideration other than cash:

Date of allotment	No. of equity shares allotted	Face Value (Rs.)	Issue price (Rs.)	Name of Allottees	Reasons for the Allotment
June 10, 1998	146,900	1,000	1,000	Governor, State of Himachal Pradesh	In settlement for acquisitions of assets of Nathpa Jhakri project from Himachal Pradesh State Electricity Board.
July 22, 1999	23	1,000	1,000	Governor, State of Himachal Pradesh	In settlement for acquisitions of assets of Nathpa Jhakri project from Himachal Pradesh State Electricity Board.

(2) Issue of Equity Shares in the last one year

Our Company allotted 27,812,500 Equity Shares to the GoHP on April 13, 2010 at a price of Rs 14.72 per equity share pursuant to GoI order.

(3) Promoters Contribution and lock-in

(a) Details of the build up of the total shareholdings of our Promoters:

President of India

Date of allotment*	Consideration (cash, other than cash, etc)	Nature of allotment	No. of equity shares	Face Value	Issue price per Equity Share
May 24, 1988	Cash	Subscription to Memorandum**	8	1,000	1,000
June 27, 1990	Cash	Further Allotment of shares	1,112,092	1,000	1,000
May 15, 1991	Cash	Further Allotment of shares	400,000	1,000	1,000
November 23, 1992	Cash	Further Allotment of shares	200,000	1,000	1,000
December 19, 1992	Cash	Further Allotment of shares	100,000	1,000	1,000
May 14, 1993	Cash	Further Allotment of shares	400,000	1,000	1,000
April 19, 1994	Cash	Further Allotment of shares	600,000	1,000	1,000
August 4, 1994	Cash	Further Allotment of shares	300,000	1,000	1,000
September 10, 1994	Cash	Further Allotment of shares	300,000	1,000	1,000
January 12, 1995	Cash	Further Allotment of shares	250,000	1,000	1,000
May 31, 1995	Cash	Further Allotment of shares	520,500	1,000	1,000
September 25, 1995	Cash	Further Allotment of shares	512,700	1,000	1,000
January 31, 1996	Cash	Further Allotment of shares	356,000	1,000	1,000
November 12, 1996	Cash	Further Allotment of shares	1,131,300	1,000	1,000
June 6, 1997	Cash	Further Allotment of shares	2,370,000	1,000	1,000

Date of allotment*	Consideration (cash, other than cash, etc)	Nature of allotment	No. of equity shares	Face Value	Issue price per Equity Share
November 4, 1997	Cash	Further Allotment of shares	2,113,992	1,000	1,000
June 10, 1998	Cash	Further Allotment of shares	1,086,008	1,000	1,000
March 30, 1999	Cash	Further Allotment of shares	4,010,000	1,000	1,000
April 29, 1999	Cash	Further Allotment of shares	25,000	1,000	1,000
June 14, 1999	Cash	Further Allotment of shares	675,000	1,000	1,000
July 22, 1999	Cash	Further Allotment of shares	300,000	1,000	1,000
September 20, 1999	Cash	Further Allotment of shares	794,169	1,000	1,000
November 25, 1999	Cash	Further Allotment of shares	227,651	1,000	1,000
March 22, 2000	Cash	Further Allotment of shares	2,098,180	1,000	1,000
September 29, 2000	Cash	Further Allotment of shares	1,100,000	1,000	1,000
April 27, 2001	Cash	Further Allotment of shares	3,250,000	1,000	1,000
September 28, 2001	Cash	Further Allotment of shares	1,461,649	1,000	1,000
May 6, 2002	Cash	Further Allotment of shares	5,121,868	1,000	1,000
Sub division of the nominal value of the equity shares of our Company from Rs. 1,000 per equity shares to Rs. 10 per Equity Share with effect from September 10, 2009					
Total			**3,081,611,700**		

* *All the equity shares held by the Promoter were fully paid up at the time of their allotment.*

** *Initial allotment of two equity shares of face value Rs. 1,000 each in favour of Mr. M.M. Kohli and Mr. V.K. Khanna and one equity share of face value Rs. 1,000 each in favour of Mr. J.C. Gupta, Mr. U.V. Bhat, Mr. Kailash Chand Mahajan and Mr. M.C. Tiwari ,was made, each such individual shareholder being the nominee of the President of India.*
Further, one equity share each of face value Rs. 1, 000 was allotted in favour of the nominees of GoHP i.e. Mr. Kailash Chand Mahajan and Mr. M.C. Tiwari. However, these equity shares were held on behalf of GoI.

Governor, State of Himachal Pradesh

Date of allotment*	Consideration (cash, other than cash, etc)	Nature of allotment	No. of equity shares	Face Value	Issue price per Equity Share
May 15, 1991	Cash	Further allotment of shares	100,000	1,000	1,000
November 23, 1992	Cash	Further allotment of shares	50,000	1,000	1,000
December 19, 1992	Cash	Further allotment of shares	13,800	1,000	1,000
April 19, 1994	Cash	Further allotment of shares	350,000	1,000	1,000
August 4, 1994	Cash	Further allotment of shares	25,000	1,000	1,000
January 12, 1995	Cash	Further allotment of shares	100,000	1,000	1,000

Date of allotment*	Consideration (cash, other than cash, etc)	Nature of allotment	No. of equity shares	Face Value	Issue price per Equity Share
December 30, 1996	Cash	Further allotment of shares	758,300	1,000	1,000
June 6, 1997	Cash	Further allotment of shares	520,000	1,000	1,000
November 4, 1997	Cash	Further allotment of shares	570,000	1,000	1,000
June 10, 1998	Cash	Further allotment of shares	993,200	1,000	1,000
June 10, 1998	Other than cash	Further allotment of shares	146,900	1,000	1,000
March 30, 1999	Cash	Further allotment of shares	100,000	1,000	1,000
April 28, 1999	Cash	Further allotment of shares	50,000	1,000	1,000
June 14, 1999	Cash	Further allotment of shares	42,500	1,000	1,000
July 22, 1999	Cash	Further allotment of shares	50,000	1,000	1,000
July 22, 1999	Other than cash	Further allotment of shares	23	1,000	1,000
September 20, 1999	Cash	Further allotment of shares	100,000	1,000	1,000
November 25, 1999	Cash	Further allotment of shares	100,000	1,000	1,000
March 22, 2000	Cash	Further allotment of shares	670,000	1,000	1,000
September 29, 2000	Cash	Further allotment of shares	539,300	1,000	1,000
May 6, 2002	Cash	Further allotment of shares	690,000	1,000	1,000
January 10, 2003	Cash	Further allotment of shares	1,470,000	1,000	1,000
July 25, 2003	Cash	Further allotment of shares	350,000	1,000	1,000
September 26, 2003	Cash	Further allotment of shares	1,200,000	1,000	1,000
February 17, 2004	Cash	Further allotment of shares	450,000	1,000	1,000
July 6, 2004	Cash	Further allotment of shares	350,000	1,000	1,000
December 2, 2004	Cash	Further allotment of shares	400,000	1,000	1,000
March 1, 2005	Cash	Further allotment of shares	83,000	1,000	1,000
Sub division of the nominal value of the equity shares of our Company from Rs. 1,000 per equity shares to Rs. 10 per Equity Share with effect from September 10, 2009					
April 13, 2010q**	Cash	Preferential allotment of shares	27,812,500	10	14.72
Total			**1,055,014,800**		

* *The equity shares held by the Promoter were fully paid up at the time of their allotment.*

*** Pursuant to the GoI approval dated April 13, 2010, our Company has allotted 27,812,500 Equity Shares to the GoHP on April 13, 2010 at a price of Rs 14.72 per equity share aggregating to Rs 409.40 million*

(b) The details of shareholdings of each of the Promoters as on the date of filing of this Red Herring Prospectus:

Name of the Shareholder	Before the Offer		After the Offer	
	No. of Equity Shares	**Percentage of shareholding**	**No. of Equity Shares**	**Percentage of shareholding**
President of India, acting through the MoP (including nominees)	3,081,611,700	74.50	2,666,611,700	64.47
Governor, State of Himachal Pradesh (including nominees)	1,055,014,800	25.50	1,055,014,800	25.50
Public (including Eligible Employees)	Nil	Nil	415,000,000	10.03
Total	**4,136,626,500**	**100.00**	**4,136,626,500***	**100.00**

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* *As this is an offer for sale, the issued, subscribed and paid-up share capital of our Company will remain unchanged after the completion of the Offer.*

(c) Details of Promoters Contribution locked-in for three years

Pursuant to the SEBI ICDR Regulations, an aggregate of 20% of the post-offer equity share capital of our Company held by our Promoters is required to be locked in for a period of three years from the date of Allotment. As this is an offer for sale, the issued, subscribed and paid-up share capital of our Company will remain unchanged after the completion of the Offer. Consequently, an aggregate of 20% of the paid-up equity share capital of our Company held by the Promoters shall be locked in for a period of three years from the date of Allotment in the Offer.

As set forth in the table below, our Promoter, i.e. the President of India, has vide letter no. 23/24/2009-H-II (Part) dated April 13, 2010 granted its consent to include an aggregate of 827,325,300 Equity Shares of our Company held by it, constituting 20% of the paid up share capital of our Company, for consideration as promoter's contribution which shall be locked-in for a period of three years from the date of Allotment (the "**Minimum Promoter Contribution**"):

Name of the Promoter	Number of Equity Shares locked-in pursuant to the Offer*	% of pre-Offer capital	% of post-Offer capital
President of India	827,325,300	20.00%	20.00%
	827,325,300	20.00%	20.00%

* *The equity shares were fully paid up on the date of allotment.*

All the Equity Shares held by the President of India are eligible for Minimum Promoters Contribution in accordance with the SEBI ICDR Regulations.

Our Promoters' contribution has been brought in to the extent of not less than the specified minimum lot and from persons defined as promoters under the SEBI ICDR Regulations. The Equity Shares that are being locked-in are not ineligible for computation of Promoters' contribution under regulation 33 of the SEBI ICDR Regulations. In this connection, as per regulation 33 of the SEBI ICDR Regulations, we confirm the following:

- The Equity Shares offered for the minimum 20% Promoters' contribution are not acquired during the preceding three years for consideration other than cash and revaluation of assets or capitalisation of intangible assets or bonus shares out of revaluation reserves or reserves without accrual of cash resources or against shares which are otherwise ineligible for computation of Promoters' contribution;

- The minimum Promoters' contribution does not include any Equity Shares acquired during the preceding one year at a price lower than the price at which Equity Shares are being offered to the public in the Offer;

- The Equity Shares offered for the minimum 20% Promoters' contribution were not issued to our Promoters upon conversion of a partnership firm;

- The Equity Shares held by our Promoters and offered for the minimum 20% Promoters' contribution are not subject to any pledge; and

- The minimum Promoters' contribution does not consist of Equity Shares for which specific written consent has not been obtained from the respective Promoters for inclusion of their subscription in the minimum Promoters' contribution subject to lock-in.

(d) Details of Equity Shares locked in for one year

In terms of regulation 36 and regulation 37 of the SEBI ICDR Regulations, other than the above Equity Shares of the President of India that shall be locked in for three years and the Equity Shares forming part of the Offer (which shall not be locked in), the entire shareholding of the President of India (including its nominees) and the Governor, State of Himachal Pradesh (including those of their nominees) in our Company prior to the Offer shall be locked-in for a period of one year from the date of Allotment in the Offer.

The President of India, acting through the MoP has pursuant to letter no. 23/24/2009-H-II (Part) dated April 13, 2010 agreed to comply with the above lock-in provisions of the SEBI ICDR Regulations and shall not sell, transfer, charge, pledge or otherwise encumber any locked-in Equity Shares (including Minimum Promoters Contribution) till such time that the lock-in remains effective, save and except as may be permitted under the SEBI ICDR Regulations.

Further the Governor of Himachal Pradesh, acting through the Department of MPP, GoHP has pursuant to letter no. MPP(F) 2-61/2002 dated April 13, 2010 has agreed to comply with the one-year lock-in provision of the SEBI ICDR Regulations and shall not sell, transfer, charge, pledge or otherwise encumber any locked-in Equity Shares till such time that the lock-in remains effective, save and except as may be permitted under the SEBI ICDR Regulations.

(e) Other requirements in respect of lock-in

Pursuant to regulation 39 read with regulation 36 (b) of the SEBI ICDR Regulations, locked-in Equity Shares held by our Promoters, as specified above, may be pledged to banks or financial institutions as collateral security for loans granted by such banks or financial institutions, provided that the pledge of the Equity Shares is one of the terms of the sanction of the loan.

Pursuant to regulation 40 of the SEBI ICDR Regulations, Equity Shares held by our Promoters may be transferred inter se or to new promoters or any person of the promoter group or persons in control of our Company subject to continuation of the lock-in in the hands of such transferees for the remaining period and compliance with the Takeover Code, as applicable.

Pursuant to regulation 40 of the SEBI ICDR Regulations, the Equity Shares held by persons other than our Promoters which are locked-in as per regulation 37 of the SEBI ICDR Regulations may be transferred to any other person holding Equity Shares which are locked-in, subject to the continuation of the lock-in in the hands of such transferees for the remaining period and compliance with the Takeover Code.

4. Shareholding pattern of the Company

(a) The shareholding pattern of the Company before the Offer is set forth below as per Clause 35 of the Listing Agreement:

Category Code	Category of Shareholders	Number of Shareholders	Total Number of shares	Number of Shares Held in dematerialized form	Total Shareholding as a percentage of total number of shares	Shares Pledged or otherwise encumbered

					As a percentage of A+B	As a percentage A+B+C	Number of shares	As a percentage
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX)=(VIII)/(IV) *100
(A)	**Shareholding of Promoter and Promoter Group**							
1	**Indian**							
a	Individuals/Hindu Undivided Family	0	0	0	0.00	0.00	0	0.00
b	Central Government/State Government	2	4,136,626,500	0	100.00	100.00	0	0.00
c	Bodies Corporate	0	0	0	0.00	0.00	0	0.00
d	Financial Institutions/Banks	0	0	0	0.00	0.00	0	0.00
e	Any Other (specify)	0	0	0	0.00	0.00	0	0.00
	Sub-Total (A) (1)	**2**	4,136,626,500	**0**	**100.00**	**100.00**	**0**	**0.00**
2	**Foreign**							
A	Individuals(Non-Resident Individuals)	0	0	0	0.00	0.00	0	0.00
B	Bodies Corporate i.e. OCBs	0	0	0	0.00	0.00	0	0.00
C	Institutions	0	0	0	0.00	0.00	0	0.00
D	Any Other (specify)				0.00	0.00	0	0.00
	Sub-Total (A) (2)	**0**	**0**	**0**	**0.00**	**0.00**	**0**	**0.00**
	Total Shareholding of Promoter and Promoter Group (A)(1)+(A)(2)	**2**	4,136,626,500	**0**	**100.00**	**100.00**	**0**	**0.00**
(B)	**Public Shareholding**							
1	**Institutions**							
A	Mutual Funds/UTI	0	0	0	0.00	0.00	0	0
b	Financial Institutions/Banks	0	0	0	0.00	0.00	0	0
c	Central Government/State Government(s)	0	0	0	0.00	0.00	0	0
d	Venture Capital Fund	0	0	0	0.00	0.00	0	0
e	Insurance Companies	0	0	0	0.00	0.00	0	0
f	Foreign Institutional Investors	0	0	0	0.00	0.00	0	0
g	Foreign Venture Capital Investors	0	0	0	0.00	0.00	0	0
h	Any Other (specify)	0	0	0	0.00	0.00	0	0
	Sub-Total (B) (1)	**0**	**0**	**0**	**0.00**	**0.00**	**0**	**0**
2	**Non-Institutions**				0.00	0.00	0	0
a	Bodies Corporate	0	0	0	0.00	0.00	0	0
b	Individuals	0	0	0	0.00	0.00	0	0
I	Individual Shareholders holding nominal Share Capital value upto Rs. 100,000	0	0	0	0.00	0.00	0	0
II	Individual Shareholders holding nominal Share Capital value In excess of Rs. 100,000	0	0	0	0.00	0.00	0	0
c	**Any Other (specify)**				0.00	0.00	0	0
i	Trust	0	0	0	0.00	0.00	0	0
ii	NRI's	0	0	0	0.00	0.00	0	0
iii	OCB's	0	0	0	0.00	0.00	0	0
iv	Foreign Nationals	0	0	0	0.00	0.00	0	0
	Sub-Total (B) (2)	**0**	**0**	**0**	**0.00**	**0.00**	**0**	**0**
	Total Public Shareholding (B)= (B)(1)+(B)(2)	**0**	**0**	**0**	**0.00**	**0.00**	**0**	**0**
	Total (A)+(B)	**2**	4,136,626,500	**0**	**100.00**	**100.00**	**0**	**0**
(C)	**Share held by Custodian and against which Depository Receipts**	0	0	0	**-**	**-**	0	0
	Grand Total (A)+(B)+(C)	**2**	4,136,626,500	**0**	**100.00**	**100.00**	**0**	**0.00**

(b) Except as set forth below, none of our Directors hold any Equity Shares as on April 16, 2010:

S. No.	Name of Shareholder	Number of Equity Shares held*	Before the Offer %	After the Offer %**
1	Mr. Hemant Kumar Sharma	100	Negligible	Negligible
2	Mr. Raghunath Prasad Singh	100	Negligible	Negligible
3	Mr. Sudhir Kumar	100	Negligible	Negligible
4	Mr. Rajinder Singh Katoch	100	Negligible	Negligible
5	Mr. Deepak Sanan	100	Negligible	Negligible

* *These shares are held on behalf of President of India*
** *Assuming that the Directors do not Bid in the Offer*

5. The list of our top 10 shareholders and the number of the equity shares held by them is provided below:

(a) Our top 10 shareholders as on the date of Red Herring Prospectus:

S. No.	Name of Shareholder	Number of Equity Shares held	Face Value (Rs)**	Shareholding %
1	President of India, acting through the MoP	3, 081,611,000	10	74.50
2	Governor, State of Himachal Pradesh	1,055,014,800	10	25.50
3	Mr. Hemant Kumar Sharma *	100	10	Negligible
4	Mr. Raghunath Prasad Singh *	100	10	Negligible
5	Mr. Sudhir Kumar*	100	10	Negligible
6	Mr. Rajinder Singh Katoch *	100	10	Negligible
7	Mr. Rakesh Jain*	100	10	Negligible
8	Mr. Ajay Tyagi*	100	10	Negligible
9	Mr. Deepak Sanan *	100	10	Negligible
	Total	**4,136,626,500**		

* *These shares are held on behalf of President of India*

** *The face value of equity shares of our Company was Rs. 1,000 at the time of allotment. Subsequently with effect from September 10, 2009, the equity shares of Rs. 1,000 each have been split into Equity Shares of face value of Rs. 10 each.*

(b) Our top 10 shareholders 10 days prior to the filing of the Red Herring Prospectus:

S. No.	Name of Shareholder	Number of Equity Shares held	Face Value (Rs)**	Shareholding %
1	President of India, acting through the MoP	3, 081,611,000	10	75.00
2	Governor, State of Himachal Pradesh	1,027,202,300	10	25.00
3	Mr. Hemant Kumar Sharma *	100	10	Negligible
4	Mr. Raghunath Prasad Singh *	100	10	Negligible
5	Mr. Sudhir Kumar*	100	10	Negligible
6	Mr. Rajinder Singh Katoch *	100	10	Negligible
7	Mr. Rakesh Jain*	100	10	Negligible

8	Mr. S.C. Negi*	100	10	Negligible
9	Mr. Ajay Tyagi *	100	10	Negligible
	Total	**4,108,814,000**		

* *These shares are held on behalf of President of India*

** *The face value of equity shares of our Company was Rs. 1,000 at the time of allotment. Subsequently with effect from September 10, 2009, the equity shares of Rs. 1,000 each have been split into Equity Shares of face value of Rs. 10 each.*

(c) Our top 10 shareholders two years prior to the date of filing of this Red Herring Prospectus:

S. No.	Name of Shareholder	Number of Equity Shares held	Face Value** (Rs.)	Shareholding %
1	President of India, acting through the MoP	30,816,109	1,000	75.00
2	Governor, State of Himachal Pradesh	10,272,023	1,000	25.00
3	Mr. H.K. Sharma*	2	1,000	Negligible
4	Mr. R.D Prabhakar*	1	1,000	Negligible
5	Mr. M. Sahoo*	1	1,000	Negligible
6	Mr. R.S. Katoch	1	1,000	Negligible
7	Mr. A.K. Kutty*	1	1,000	Negligible
9	Mr. J.P. Negi*	1	1,000	Negligible
10	Mr. Sutanu Behuria*	1	1,000	Negligible
	Total	**41,088,140**		

* *These shares were held on behalf of President of India*

** *The face value of equity shares of our Company was Rs. 1000 at the time of allotment of shares. Subsequently with effect from September 10, 2009, the equity shares of Rs. 1,000 each have been split into Equity Shares of the face value of Rs. 10 each.*

6. Our Company, the Selling Shareholder, our Directors, the Book Running Lead Managers have not entered into any buy-back and/or standby and/or any other similar arrangements for the purchase of Equity Shares being offered through the Offer.

7. Pursuant to the GoI approval dated April 13, 2010, our Company has allotted 27,812,500 Equity Shares to the GoHP on April 13, 2010 at a price of Rs 14.72 per equity share aggregating to Rs 409.40 million. Our Company does not presently have any intention or proposal for issue further capital whether by way of issue of bonus shares, preferential allotment, rights offer or in any other manner during the period commencing from submission of this Red Herring Prospectus to SEBI until our Equity Shares have been listed.

8. As on the date of the Red Herring Prospectus, our Company has not issued any Equity Shares out of our revaluation reserves.

9. The Company does not currently have any employee stock option scheme/employee stock purchase scheme for its employees and the Company does not intend to allot any Equity Shares to our employees under the employee stock option scheme/employee stock purchase scheme. As and when options are granted to our employees under any such scheme, the Company will comply with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme), Guidelines, 1999.

10. As on the date of the Red Herring Prospectus, there are no outstanding warrants, options or debentures or other financial instruments issues by the Company, which would entitle the Promoter or other shareholders of the Company or any other person an option to receive Equity Shares. Further, there are no loans which are convertible into Equity Shares.

11. Our Equity Shares including the Offer Shares are fully paid-up and there are no partly paid-up Equity Shares as on the date of filing of this Red Herring Prospectus.

12. For a period of six months commencing on the Offer Opening Date, we will not alter our capital structure by way of split or consolidation of Equity Shares or further issue of Equity Shares (including offers of securities convertible into or exchangeable, directly or indirectly, for our Equity Shares), whether preferential or otherwise, without obtaining the prior written consent of each of the Book Running Lead Managers. If we enter into acquisitions or joint ventures for the purposes of our business, we may, subject to necessary approvals and consents, consider raising additional capital to fund such activities or use our Equity Shares as currency for acquisition or participation in such joint ventures.

13. There are certain restrictive covenants in the facility agreements entered into by our Company with certain lenders. For details, see the section titled "***Financial Indebtedness***" on page 123. BNP Paribas has given its consent to the Offer through its letter dated February 17, 2010.

14. Each of our Directors, Promoters and their immediate relatives have not purchased or sold any securities of our Company during a period of six months preceding the date of filing this Red Herring Prospectus with SEBI.

15. During the period of six months immediately preceding the date of filing of this Red Herring Prospectus, no financing arrangements existed whereby our Promoters, our Directors and their relatives may have financed the purchase of Equity Shares by any other person, other than in the normal course of the business of such financing entity.

16. Our Promoters will not participate in the Offer except as the Selling Shareholder.

17. The Offer is being made through a 100% Book Building Process, pursuant to which at least 60% of the Net Offer shall be Allotted on a proportionate basis to QIBs. 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder of the QIB Portion shall be available for allocation on a proportionate basis to QIBs (including Mutual Funds), subject to valid Bids being received from them at or above the Offer Price. However, if the aggregate demand from Mutual Funds is less than 12,349,500 Equity Shares, the remaining Equity Shares available for allocation in the Mutual Fund Portion will be added to the QIB Portion and allocated proportionately to the QIBs in proportion to their Bids.

18. Further, not less than 10% of the Net Offer shall be available for Allotment on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Net Offer shall be available for Allotment on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received from them at or above the Offer Price. 3,350,000 Equity Shares, i.e., 0.08% of our paid-up share capital, have been reserved for Eligible Employees on a proportionate basis, subject to valid Bids being received at or above the Offer Price.

19. Any unsubscribed portion/ unallocated portion in the Employee Reservation Portion shall be added to the Net Offer. In case of under-subscription in the Net Offer, spill-over to the extent of under-subscription shall be permitted from the reserved category to the Net Offer. If at least 60% of the Net Offer cannot be Allotted to QIBs, then the entire application money will be refunded. In the event that the aggregate demand in the QIB Portion has been met, under subscription/ unallocated portion in any other category, if any, would be allowed to be met with spill-over from other categories or combination of categories at the discretion of the Selling Shareholder and our Company in consultation with the BRLMs.

20. A Bidder cannot bid for more than the number of Equity Shares offered through the Offer, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of Bidders.

21. There shall be only one denomination of our Equity Shares, unless otherwise permitted by law.

22. Our Company shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.

23. The value of Allotment to a single Eligible Employee applying under the Employee Reservation Portion shall not exceed Rs. 100,000. For further details see sections titled "***Offer Structure***" and

"***Offer Procedure***" on page 185 and 191, respectively.

24. As on date of this Red Herring Prospectus, neither of the BRLMs nor their associates hold any Equity Shares in our Company.

25. The Company has paid interim dividends to the shareholders as on September 30, 2009 for the year FY 2010.

26. The FIPB through its letter bearing no. 6\23\2010-FJU dated April 13, 2010 has clarified that is FIPB approval is not required for the transfer of the Equity Shares to non resident investors. Further, the RBI vide its letter dated April 15, 2010 and bearing no. FE.CO.FID.No.- /10.21.185/2009-10 has confirmed that it has no objection to the transfer of 415,000,000 Equity Shares by the President of India, acting through the Ministry of Power, Government of India For further details regarding the said approval and other ancillary matters in this regard, see the section titled "***Government and Other Approvals***" on page 161.

OBJECTS OF THE OFFER

This is an offer for sale by the President of India of Equity Shares representing 10.03% of the paid up capital of the Company. Accordingly, our Company will not receive any proceeds from the Offer and all of the proceeds, less the expenses of the Offer shall be received by the Selling Shareholder.

The purpose of the Offer is to achieve the benefits of listing on the Stock Exchanges and to carry out the transfer of 415,000,000 Equity Shares by the Selling Shareholder. Listing of the Equity Shares will create liquidity in the Equity Shares through the creation of a public market for the Equity Shares in India.

BASIS FOR OFFER PRICE

The Offer Price will be determined by our Company and the Selling Shareholder in consultation with the BRLMs on the basis of the assessment of market demand for the offered Equity Shares through a Book Building Process and on the basis of certain quantitative and qualitative factors, including those set forth in this section. The face value of our Equity Shares is Rs. 10 each and the Offer Price is [●] times of the face value at the lower end of the Price Band and [●] times the face value at the higher end of the Price Band. The EPS and NAV presented in this section are based on the face value of Rs. 10 per equity share.

Potential investors in our Equity Shares should carefully read the sections ***"Risk Factors"*** and ***"Financial Information"*** set forth on pages xiii and F-1 respectively.

Qualitative Factors

We believe the following strengths will allow us to successfully compete in the power sector:

- Experience in hydroelectric power project development
- Established track record of operational excellence
- Stable revenue stream through long-term power purchase agreements with state electricity boards
- Ability to capitalize on performance-based incentives under the current tariff regime
- Established reputation for good corporate governance and environmental and social responsibility
- Existing committed work force
- Strong cash position to support project development and operations

For detailed discussion on the above factors, see the section titled "***Our Business***" on page 58.

Quantitative Factors

The information presented below relating to our Company is based on the Restated Financial Statements for the years ended March 31, 2007, 2008 and 2009 and the nine-month period ended December 31, 2009, each of which was prepared in accordance with Indian GAAP. For details, see the section titled "***Financial Statements***" on page 1.

Note: With effect from September 10, 2009, our equity shares with the face value of Rs. 1,000 each have been split into Equity Shares of face value of Rs.10 each. Accordingly, all accounting ratios have been calculated on post-split basis.

Some of the quantitative factors which may form the basis for computing the Offer Price are as follows:

1. Earning Per Share (EPS)

As per our Restated Financial Statements:

Particulars	Basic EPS (in Rs.)	Weight
Year ended March 31, 2007	1.58	1
Year ended March 31, 2008	1.74	2
Year ended March 31, 2009	1.85	3
Weighted Average (for complete financial year)	1.77	
Nine months ended December 31, 2009 (not annualized)	1.89	

Notes:

1) *Basic EPS has been computed by dividing net profit/(loss) after tax, by the weighted average number of Equity Shares outstanding at end of the year.*

2. Price/ Earnings (P/E) ratio in relation to Offer Price of Rs. [●] per share of Rs. 10 each

a) P/E ratio based on EPS

Particulars	P/E at the lower end of the Price Band (no. of times)	P/E at the higher end of the Price Band (no. of times)
P/E ratio based on EPS for the year ended March 31, 2009 of Rs. 1.85	[●]	[●]
P/E based on weighted average Basic EPS of Rs. 1.77	[●]	[●]

c. Power Generation Industry P/E
i) Highest : 317.3
ii) Lowest : 11.2
iii) Industry Composite : 21.2

Source: Capital Market Volume XXV/03-Apr 05 – Apr 18, 2010, Category: Power Generation and Supply.

3. Return on Net Worth (RONW) in the last three years.

Return on Net Worth as per our Restated Financial Statements:

Particulars	RONW %	Weight
Year ended March 31, 2007	12.36%	1
Year ended March 31, 2008	12.60%	2
Year ended March 31, 2009	12.50%	3
Weighted Average(for complete financial year)	12.51%	
Nine months ended December 31, 2009, 2009	11.47%	

Note: *The return on net worth has been computed by dividing Profit after Tax by Net Worth. The weighted average of Return on Net Worth (%) for these fiscal years have been computed by giving weights of 1, 2 and 3 for fiscal years ending March 31, 2007, 2008 and 2009 respectively.*

4. Minimum Return on Total Net Worth after the Offer required to maintain pre – Offer EPS for the year ended March 31 2009 is 11.26%*

**The Offer is an Offer for Sale by the Selling Shareholder and hence the share capital of the Company shall not change. On Apr 13, 2010, the Company has allotted 27,812,500 equity shares of Rs. 10 each to GoHP at a premium on preferential basis, pursuant to the special resolution passed by members of the Company in its extra ordinary general meeting held on Apr 13, 2010. The Offer is an Offer for Sale by the Selling Shareholder and hence the share capital of the Company shall not change*

5. Net Asset Value per Equity Share of face value Rs. 10 each

a. As of March 31, 2009, as per our Restated Financial Statements is Rs. 14.79.
b. As of Nine months ended December 31, 2009, 2009, as per our Restated Financial Statements is Rs. 16.45.
c. After the Offer, as per our Restated Financial Statements: [●]
d. Offer Price: Rs. [●]*

**Offer Price per Share will be determined on conclusion of Book Building Process.*

Net Asset Value per Equity Share represents Net Worth excluding revaluation reserves/capital grant received against fixed assets, as restated divided by the number of Equity Shares outstanding at the end of the period.

6. Comparison with Industry Peers

Name of the company	Face Value (Rs)	EPS (Rs)	RONW% For Fiscal 2009	Book Value as on March 31, 2009	P/E Multiple
SJVN Limited[1]	10	1.85	12.50	14.79	[●]
Peer Group[2]					
JP Power Ven.	10	0.60	13.60	12.80	-
KSK Energy Ven.	10	1.80	5.20	66.10	137.7
NHPC Ltd	10	0.80	6.10	17.90	23.5

Note: The EPS, RONW and NAV figures are based on the latest audited results for the year ended March 31, 2009 and P/E is based on trailing twelve months (TTM) and Market data.

(1) *For the year ended March 31, 2009 – Based on Restated Financial Statements.*

(2) *Source: Capital Market Volume XXV/03-Apr 05 – Apr 18, 2010, Category: Power Generation and Supply.*

The Offer Price of Rs. [●] has been determined by our Company in consultation with the BRLMs and on the basis of assessment of market demand for the Equity Shares through the Book Building Process. The BRLMs believe that the Offer Price of Rs. [●] is justified in view of the above qualitative and quantitative parameters. Investors should read the above mentioned information along with "***Risk Factors***" and "***Financial Statements***" on pages xiii and 1, respectively, to have a more informed view.

STATEMENT OF TAX BENEFITS

To
The Board of Directors,
SJVN Limited.,
Himfed Building,
New Shimla-171009,
Himachal Pradesh

Dear Sirs,

We hereby report that the enclosed annexure sets forth the possible tax benefits which may be available to SJVN Limited *(formerly Satluj Jal Vidyut Nigam Limited)* (the "**Company**") and to the Shareholders of the Company under the provisions of the Income Tax Act, 1961 and other allied direct and indirect tax laws presently prevailing and in force in India.

The contents of this annexure are based on information, explanations and representations obtained from the Company and are made on the basis of our understanding of the business activities and operations of the Company and the interpretation of prevailing tax laws in force in India. Several of these benefits are subject to the Company or its shareholders fulfilling certain conditions prescribed under applicable tax laws and interpretations thereof. Accordingly the ability of the Company or its Shareholders to derive any such tax benefits is subject to, among other things, the fulfillment of such conditions.

The benefits discussed in the annexure are not exhaustive. The information being furnished by us is general in nature and it is neither designed nor intended to be a substitute for professional tax advice. Investors are advised to consult their own tax consultants with respect to the particular tax implication consequences arising out of their participation in the Offer or of owning the Equity Shares.

We do not express any opinion or provide any assurance as to whether:

i) the Company or its shareholders will continue to be eligible to obtain these benefits in future; or

ii) the conditions prescribed with respect to eligibility for the benefits have been or would continue to be fulfilled.

This report is intended solely for informational purposes for the inclusion in the Offer Documents in connection with the proposed initial public offering of the Company and is not to be used in, referred to or distributed for any other purpose.

For **Hingorani M & Co.**
Chartered Accountants

Pradeep Kumar
Partner
M.No.: 085630
Firm Registration No: 006772N

Place: 18.02.2010
Dated: New Delhi

STATEMENT OF POSSIBLE TAX BENEFITS AVAILABLE TO THE COMPANY AND ITS SHAREHOLDERS

The tax benefits listed below are certain possible tax benefits available under prevailing tax laws and regulations in India. Several of these benefits are dependent on the Company or its shareholders fulfilling certain conditions as prescribed under the applicable tax laws and interpretations thereof. Accordingly, the ability of the Company or its shareholders to derive tax benefits is dependent upon the fulfilment of such conditions.

I. SPECIAL TAX BENEFITS

A. To the Company

A1. Under Central Sales Tax Act, 1956

- Tax charged on inter state sales leviable under Section 6(1) of the Central Sales Tax Act, 1956 does not apply to sale of electricity energy.

A2. Under Customs Tariff

- Pursuant to Notification No. 21/ 2002-Cus. dated March 1, 2002 as last amended by Notification No.21/2008-Cus. dated March 1, 2008 under the Customs Tariff of India, the goods required for setting up of any Mega Hydel Power Project are eligible to be imported at 'Nil' rate of Custom Duty subject to fulfillment of certain conditions. A Mega Hydel Power Project is an inter-state hydel power plant with an installed capacity of 350MW or more, located in the States of Jammu & Kashmir, Sikkim, Arunachal Pradesh, Assam, Meghalaya, Manipur, Mizoram, Nagaland and Tripura or an inter-state hydel power plant of an installed capacity of 500MW or more located in States other than those mentioned above.

- Pursuant to Notification No. 21/2002-Cus. dated March 1, 2002 as last amended by Notification No. 21/2008-Cus. dated March 1, 2008 under Customs Tariff of India, power generating companies are eligible to import goods required for power generation projects, including gas turbine power projects but excluding captive power plants set up by projects engaged in activities other than in power generation at the concessional rate of 5% 'Basic Custom Duty' under Chapter 98 (Project Imports).

A3. Under Exim Policy

- Supply of goods to the power projects is eligible for 'Deemed Export Benefits' as available under Chapter 8 of Foreign Trade Policy of India.

B) To the Members of the Company

There are no special tax benefits available to the members of the Company.

II. GENERAL TAX BENEFITS

A. To the Company

A1. Under the Income Tax Act, 1961 (IT Act)

- In accordance with and subject to the condition specified in Section 80-IA of the IT Act, the Company would be entitled to deduction of 100% of profits derived from Industrial Undertaking engaged in generation and/or transmission or distribution of power for any ten consecutive assessment years out of fifteen years beginning from the year in which the undertaking generates power or commences transmission or distribution of power if it begins to generate power at any time during the period beginning on April 1, 1993 and ending on the March 31, 2010.

- In accordance with and subject to the provisions of Section 35, the Company would be entitled to deduction in respect of expenditure laid out or expended on scientific research related to the business.

- By virtue of Section 10(34) of the IT Act, income earned by way of dividend income from another domestic company referred to in Section 115-O of the IT Act, are exempt from tax in the hands of the Company.

- While calculating dividend distribution tax under the provisions of Section 115-O of the IT Act, a deduction shall be allowed in respect of dividends received by a domestic company from a subsidiary company during the financial year provided the subsidiary company has paid tax on such dividends and the domestic company is not a subsidiary of any other company. It is further provided that same amount of dividends shall not be taken into account for deduction more than once. For this purpose a company shall be deemed to be a subsidiary of another company if such other company holds more than half in nominal value of the equity share capital of that other company.

A2. Under Central Sales Tax Act, 1956

- Pursuant to Section 8(3)(b) of the Central Sales Tax Act, 1956, purchases made in the course of inter-state trade or commerce for use in the generation or distribution of electricity is eligible for concessional rate of sales tax of 2%.

B. To the Members of the Company

B1. Under the Income Tax Act, 1961 (IT Act)

1. All Members

- Pursuant to Section 10(38), as inserted by Finance (No. 2) Act, 2004, income arising from a transfer of a long-term capital asset, being an equity share in the Company is exempt from tax, if the transaction of such sale has been entered into on or after October 1, 2004 and such transaction is subject to Securities Transaction Tax. However, long-term capital gains of a shareholder (being a company) shall be taken into account in computing a book profits and income tax payable under section 115JB (MAT) of the IT Act.

- Pursuant to Section 36(1)(xv), as inserted by the Finance Act, 2008, deductions shall be allowed while computing business income of an amount equivalent to the amount of securities transaction tax paid by the assessee in respect of taxable securities transactions entered into in the course of business during the previous year, if income arising from such taxable securities transactions is included in income computed under the head "Profit and gains of business or profession."

- By virtue of Section 111A of the IT Act, capital gains arising from transfer of short term capital assets, being an equity share in the company which is subject to Securities Transaction Tax, will be chargeable to tax at 15% (in addition to applicable surcharge and education cess).

2. Resident Members

- By virtue of Section 10(34) of the IT Act, income earned by way of dividends from domestic company referred to in Section 115-O of the IT Act, is exempt from tax in the hands of shareholders.

- As per the provisions of Section 112 of the IT Act and other relevant provisions, long term capital gains which are not covered under Section 10(38) of the Act and which arise on transfer of shares in the Company (subject to such shares being held for a period exceeding 12 months) shall be taxed at the rate of 20% (plus applicable surcharge and education cess) after indexation as provided in the second proviso to Section 48. However, under the proviso of Section 112(1) of the IT Act, if the tax on long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20% with indexation benefits exceeds the tax on long term gains computed at the rate of 10% without indexation benefit, then such gains without indexation benefit are chargeable to tax at a concessional rate of 10% (plus applicable surcharge and education cess).

- As per the provisions of Section 54EC of the IT Act and subject to the conditions and to the extent specified therein, long term capital gains arising on transfer of shares in the Company and not exempt under section 10(38) of the IT Act shall not be chargeable to tax if the capital gains are invested in an amount of up to Rs. 50 ` within a period of six months from the date of transfer in "long term specified assets." If only part of the capital gains is so invested, the amount which is eligible for exemption shall be proportionately reduced. However, if the said "long term specified asset" is transferred or converted into money within a period of three years from the date of its acquisition the amount of capital gains exempted earlier would become chargeable to tax in such year.

- Pursuant to the provisions of Section 54F of the IT Act and subject to the conditions and to the extent specified therein, long term capital gains arising on transfer of shares in the Company to an individual or Hindu Undivided Family (HUF) and not exempt under section 10(38) of the IT Act shall not be chargeable to tax if the net consideration from such shares are used for purchases of residential property within a period of one year before, or two years after, the date on which the transfer took place, or for construction of residential property within a period of three years after the date of transfer, provided that the individual or HUF should not own more than one residential property (other than the new asset), on the date of the transfer of original asset. If the cost of such residential property is less than the net consideration, the amount which is eligible for exemption shall be proportionally reduced. If the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential property is transferred. Similarly, if the shareholder purchases within a period of two years or constructs within a period of three years after the date of transfer of the capital asset another residential property, the original exemption will be taxed as capital gains in the year in which the additional residential property is acquired.

3. Non resident Indians/members other than FIIs and foreign venture capital investors

- By virtue of Section 10(34) of the IT Act, income earned by way of dividend income from another domestic company referred to in Section 115-O of the IT Act, is exempt from tax in the hands of the recipients.

Tax on investment income and long term capital gain

- A non resident Indian (i.e. an individual being a citizen of India or person of Indian Origin) has an option to be governed by the provisions of Chapter XIIA of the IT Act, viz. "Special Provisions Relating to certain Incomes of Non-Residents". Under Section 115E read with Section 115D of the IT Act, where shares in the Company are subscribed for and paid for in convertible foreign exchange by a non resident Indian, capital gains made to the non resident Indian on transfer of shares held for a period exceeding 12 months shall (in cases not covered under Section 10(38) of the IT Act) be concessionally taxed at the flat rate of 10% (plus applicable surcharge and education cess) without indexation benefit but with protection against foreign exchange fluctuations.

- As per section 90(2) of the IT Act, the provisions therein would prevail over the provisions of applicable tax treaties to the extent they are more beneficial to the non resident Indian. Thus, a non resident Indian can opt to be governed by the beneficial provisions of an applicable tax treaty.

Capital gains on transfer of foreign exchange assets will not be taxable in certain cases

- Under provisions of Section 115F of the IT Act, long term capital gains which are not covered under Section 10(38) of the IT Act arising to a non resident Indian from the transfer of shares of the Company subscribed to and paid for in convertible foreign exchange shall be exempt from IT income tax if the net consideration is reinvested in specified assets within six months of the date of transfer. If only part of the net consideration is so reinvested, the amount eligible for such exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted within three years from the date of their acquisition.

Return of Income not to be filed in certain cases

- Under provisions of Section 115G of the IT Act, it shall not be necessary for a non- resident Indian to furnish his income returns if his only source of income is investment income or long term capital gains or both arising out of assets acquired, purchased or subscribed in convertible foreign exchange and tax deductible at source has been deducted there from.

Other provisions

- Under Section 115-I of the IT Act, a non- resident Indian may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing his income returns under Section 139 of the IT Act declaring therein that the provisions of the Chapter shall not apply to him for that assessment year and if he does so the provisions of this chapter shall not apply to him and instead the other provisions of the IT Act shall apply.

- Under the first proviso to Section 48 of the IT Act, in case of a non resident Indian, in computing the capital gains arising from transfer of shares of the Company acquired in convertible foreign exchange (pursuant to exchange control regulations) protection is provided from fluctuations in the value of the Rupee in terms of foreign currency in which the original investment was made. Cost indexation benefits will not be available in such a case.

- As per the provisions of Section 112 of the IT Act and other relevant provisions therein, long term capital gains (not covered under Section 10(38) of the IT Act) arising on transfer of shares in the Company, subject to such shares being held for a period exceeding 12 months, shall be taxed at a rate of 20% (plus applicable surcharge and education cess) after indexation as provided in the second proviso to Section 48 of the IT Act. However, as per the proviso to Section 112(1) of the IT Act, if the tax on long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20% with indexation benefits exceeds the tax on long term gains computed at the rate of 10% without indexation benefit, then such gains without indexation benefit are chargeable to tax at a concessional rate of 10% (plus applicable surcharge and education cess).

- Pursuant to the provisions of Section 54EC of the IT Act and subject to the conditions and to the extent specified therein, long term capital gains arising on transfer of shares in the Company and not exempt under section 10(38) of the IT Act shall not be chargeable to tax if such capital gains are invested in an amount of up to Rs. 50 Lakh within a period of six months from the date of transfer in "long term specified assets." If only part of such capital gains is so invested, the exemption shall be proportionately reduced. However, if the said "long term specified assets" are transferred or converted into money within a period of three years from the date of its acquisition the amount of capital gains exempted earlier would become chargeable to tax in such year.

- Pursuant to the provisions of Section 54F of the IT Act and subject to the conditions and to the extent specified therein, long term capital gains arising on transfer of shares in the Company to an individual or Hindu Undivided Family (HUF) and not exempt under section 10(38) of the IT Act shall not be taxable if the net consideration from such shares are used for purchases of residential property within a period of one year before, or two years after, the date on which the transfer took place, or for construction of residential property within a period of three years after the date of transfer, provided that the individual or HUF should not own more than one residential property (other than the new asset) on the date of the transfer of original asset. If the cost of such residential property is less than the net consideration, the amount which is eligible for exemption shall be proportionally reduced. If the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred. Similarly, if the shareholder purchases within a period of two years or constructs within a period of three years after the date of transfer of the capital asset another residential property, the original exemption will be taxed as capital gains in the year in which the additional residential property is acquired.

4. Foreign Institutional Investors (FIIs)

- By virtue of Section 10(34) of the IT Act, income earned by way of dividend income from another domestic company referred to in Section 115-O therein, are exempt from tax in the hands of an institutional investor.

- Short term capital gains or long term capital gains which are not covered under Section 10(38) of the IT Act realized by FIIs on sale of shares in the Company would be taxed at the following rates pursuant to Section 115AD of the IT Act.

  - Short term capital gains - 30%
  - Long term capital gains - 10%

  The above tax rates would be increased by applicable surcharge & education cess. The benefits of indexation or the adjustment in respect of foreign exchange fluctuation as provided by Section 48 of the IT Act are not available to an FII.

- As per the provisions of Section 54EC of the IT Act and subject to the conditions and to the extent specified therein, long term capital gains arising on transfer of shares in the Company and not exempt under section 10(38) of the IT Act shall not be chargeable to tax if such capital gains are invested in an amount of up to Rs. 50 Lakh within a period of six months from the date of transfer in “long term specified assets.” If only part of the capital gains is so invested, the exemption shall be proportionately reduced. However, if the said “long term specified asset” is transferred or converted into money within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax in such year.

- As per section 90(2) of the IT Act, the provisions therein would prevail over the provisions of an applicable tax treaty to the extent they are more beneficial to the FIIs. Thus, an FII can opt to be governed by the beneficial provisions of an applicable tax treaty.

5. Venture Capital Companies / Funds

- In terms of Section 10 (23FB) of the IT Act, all Venture Capital Companies / Funds registered with the SEBI, subject to the conditions specified, are eligible for exemption from income tax on all income, including income from dividends.

6. Mutual Funds

- Pursuant to section 10(23D) of the IT Act, mutual funds registered under the Securities and Exchange Board of India Act, 1992 or regulations made thereunder and such other mutual funds set up by public sector banks or public financial institutions or authorized by the Reserve Bank of India and subject to the conditions specified therein are eligible for exemption from income tax on their entire income, including income from investment in the shares of the company.

B2. Under the Wealth Tax Act, 1957

- Shares of the Company held by a shareholder will not be treated as an asset within the meaning of Section 2 (ea) of the Wealth Tax Act, 1957, which will consequently not apply.

B3. Under the Gift Tax Act, 1958

- Gifts of shares of the Company made on or after October 1, 1998 are not liable to gift taxes.

Notes:

a) All the above benefits are pursuant to prevailing tax law as amended by the Finance Act, 2009 and will be available only to the sole/first named shareholder in case the shares are held by joint shareholders.

b) The above statement of possible direct and indirect tax benefits sets forth provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of the Equity Shares.

c) In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her participation in the Offer or investment in the Equity Shares.

d) In respect of non-residents, taxability of capital gains mentioned above shall be further subject to any benefits available under applicable double taxation avoidance agreements, if any, between India and the country in which the non-resident is domiciled.

SECTION IV- ABOUT US

INDUSTRY OVERVIEW

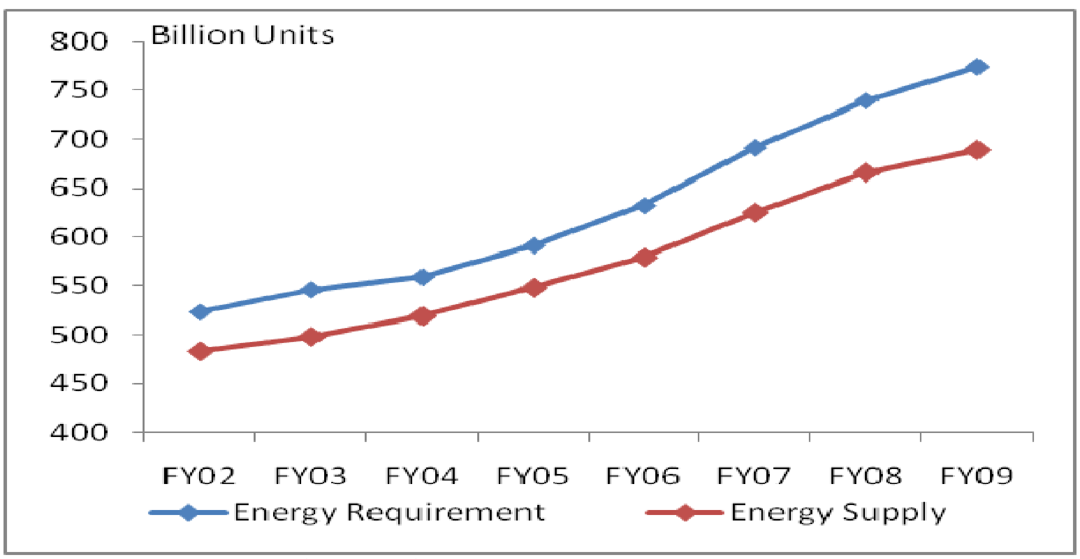
The information in this section includes, or has been extracted from, industry publications, websites, and other publicly available documents of governmental agencies such as the MoP, the Planning Commission of India, the CEA and the NRPC, as well as other sources such as industry publications and surveys, market research and forecasts and internal company reports and surveys. We may have reclassified such data for the purposes of presentation in this section. Industry sources and publications generally state that the information contained therein has been obtained from sources generally believed to be reliable but there can be no assurance as to the accuracy and completeness of the information. While, reasonable actions have been taken by us to ensure that the information is extracted accurately and in its proper context, we have not independently verified any of the data from third parties contained in this section and in the Red Herring Prospectus.

Overview

The power industry in India has historically been characterised by energy shortages, with demand for electricity far exceeding the supply. The continued growth of the Indian economy has accelerated the need for further investments in the power sector. The Government has identified the power sector as a focus sector, in order to sustain industrial growth. Based on a report published by the CEA (*Power Scenario at a Glance*, *December 2009*)*,* for FY 2009, demand for electricity exceeded supply by 11.0% (as compared to 9.9% in the preceding year). The total energy shortage during this period was 85,303 MU. Similarly, India's peak demand deficit during this period was 12.0% or 13,124 MW.

The following graph shows the difference between demand for, and supply of, energy in India between FY 2002 and FY 2009:

Demand and Supply of Energy in India



Source: CEA, Power Scenario at a Glance, December 2009.

According to CEA, it is anticipated that by FY 2012, India's peak demand for energy will be in the region of approximately 152,750 MW, and will have total energy requirements of 969,000 MU.

Key Drivers for Electricity Demand

We believe that growth in demand for energy is correlated to the growth of the Indian economy and to its growth in population.

The following table shows the growth in real GDP and the growth in demand for energy for and as of the end of each period indicated:

Period	Real GDP Growth	Growth in demand for Energy
FY2003	3.84%	4.49%
FY2004	8.52%	2.43%
FY2005	7.47%	5.74%
FY2006	9.52%	6.83%
FY2007	9.75%	9.31%
FY2008	9.01%	7.06%
FY2009	6.70%	4.73%

Sources: CEA, Power Scenario at a Glance, December 2009 and *Annual and Quarterly Estimates of GDP at Current Prices, Base Year 1999-2000, (MOSPI – Ministry of Statistics & Programme Implementation)***.**

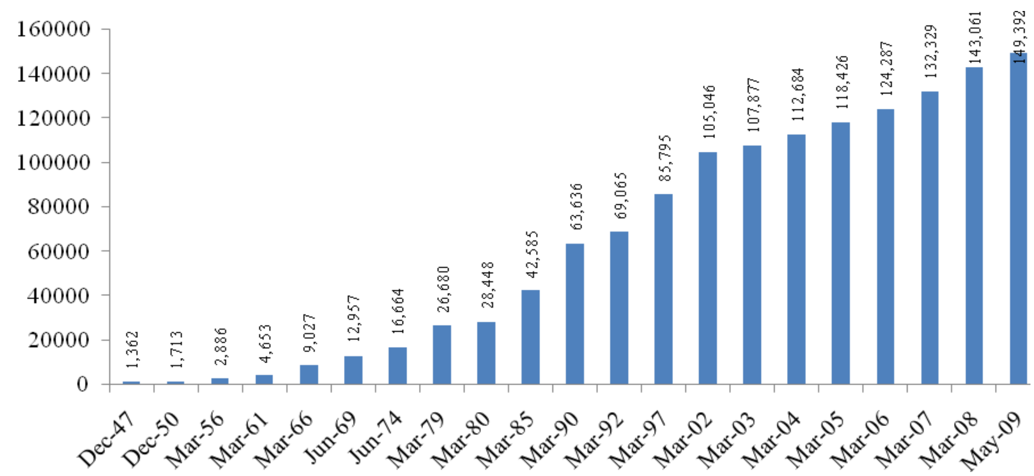
As India's economy continues to grow, it is expected that India's energy consumption will grow as well. A key risk to the continued growth of the Indian economy is inadequate power infrastructure. Growth in power infrastructure investment in India may be constrained without further improvements. In order to sustain a GDP growth rate of 8-9%, India would require additional capacity of about 66-79 GW by 2012, 152-183 GW by 2017 and 271-334 GW by 2022 based on normative powers *(Source: Integrated Energy Policy, Expert Committee on Power, August 2006, issued by the Planning Commission)*. The following table sets forth the additional total electricity generation capacity required by 2012, 2017 and 2022 under different GDP growth rate scenarios.

	Assumed GDP Growth (%)	Electricity Generation Required (Billion Units)	Projected Peak Demand (GW)	Installed Capacity Required (GW)	Capacity Addition Required[(1)] (GW)
By Fiscal 2012	8.0	1,097	158	220	66
	9.0	1,167	168	233	79
By Fiscal 2017	8.0	1,524	226	306	152
	9.0	1,687	250	337	183
By Fiscal 2022	8.0	2,118	323	425	271
	9.0	2,438	372	488	334

(1) Based on installed capacity of approximately 154 GW in India as of October 31, 2009.
Source: Integrated Energy Policy, Expert Committee on Power, August 2006, issued by the Planning Commission.

Since India gained independence in 1947, there has been considerable growth in the power sector, as evidenced by the growth of generation capacity from 1,362 MW at that time to 155,859 MW as of November 30, 2009 (*Source: Monthly Review of the Power Sector, (Executive Summary) CEA, November 2009*). Based on the *Hydro Power Policy 2008* published by the MoP and the monthly generation report published by the CEA for November 2009, annual generation has grown from about 5,000 MU since India gained its independence to 723,800 MU during FY2009. The following graph presents the growth of installed capacity generation in India since its independence:

Installed Capacity Generation in India

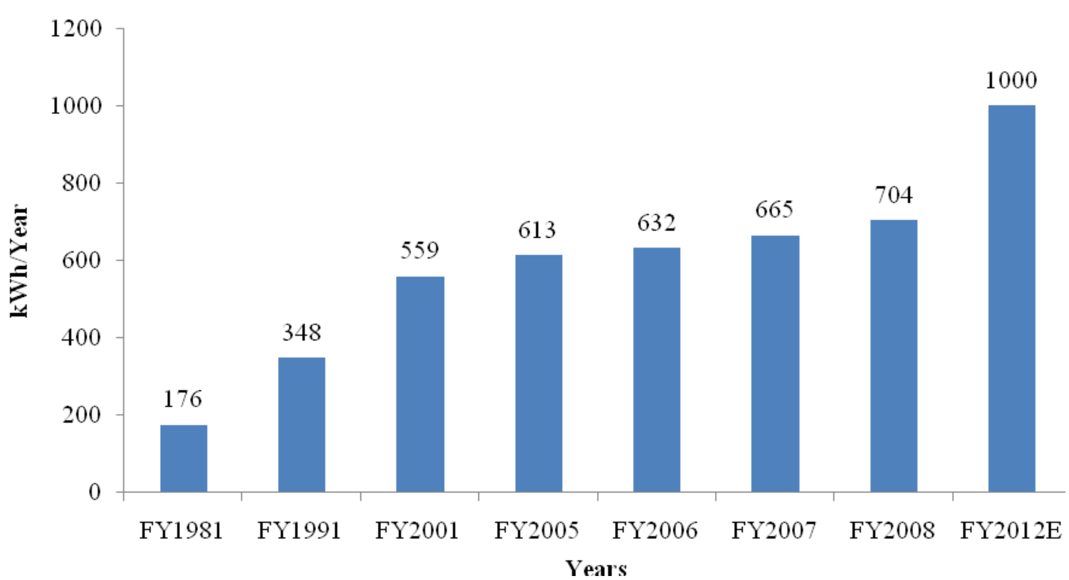


Source: Hydro Power Policy 2008, MoP; Monthly Review of the Power Sector, (Executive Summary), CEA, November 2009.

In addition, between FY 1950 and FY 2009, India's population increased significantly from 0.3 Bn to 1.1 Bn (*Source: World Population Prospects & World Bank: World Development Indicators*), representing a compound annual growth rate, or CAGR, of approximately 2%. We believe that the increase in India's population is directly correlated to increased consumption of electricity. According to CEA, per capita consumption of electricity has increased from 15 kWh/year in FY 1950 to 704 kWh/year in FY 2008, representing a CAGR of approximately 7%. According to CEA, per capita consumption of electricity is expected to increase to 1,000 kWh/year by FY 2012.

The following graph depicts the per capita consumption of electricity in India since FY1981:

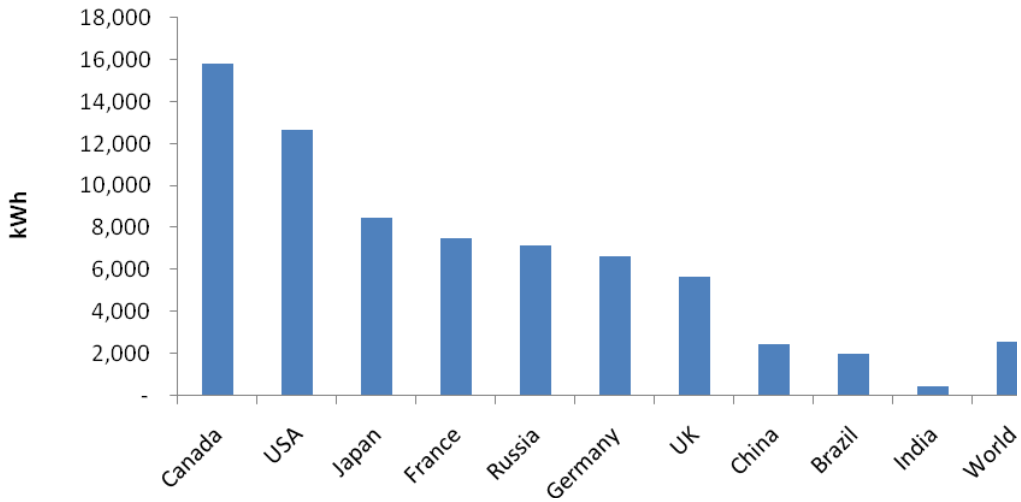
Per Capita Electricity Consumption in India



Source: Hydro Power Policy, MoP, 2008; Monthly Review of the Power Sector, (Executive Summary), CEA, November 2009.

Electricity consumption in India is relatively low compared to the rest of the world, as evidenced by the following chart published by the United Nations Development Program, which compares per capita electricity consumption in various developed and developing countries.

Per Capita Electricity Consumption in Developed and Developing Countries



Source: CIA World Factbook 2009.

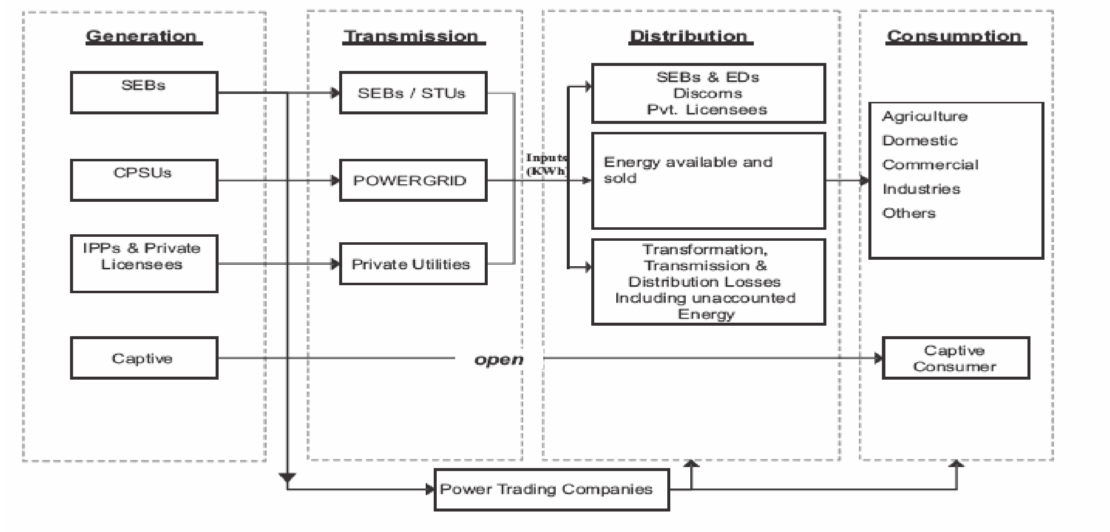
According to the CEA *Monthly Review of the Power Sector* published on November 30, 2009, as of November 30, 2009 India had an installed generation capacity of approximately 155,859 MW. Thermal power plants powered by coal, gas, naphtha or oil accounted for approximately 63.9% of installed generation capacity, with the remaining installed generation capacity comprising hydroelectric power stations, nuclear power plants and renewable energy sources, which accounted for 23.7%, 2.6% and 9.8% of installed generation capacity, respectively.

According to the *Hydro Power Policy 2008* published by the MoP, India is the sixth largest country in terms of power generation. However, overall electricity shortages in India continue to be a major concern. According to CEA, peaking shortages in India were approximately 12.0% based on peak demand requirements in FY 2009, and according to CEA publications, peaking shortages in FY 2006, 2007 and 2008 were 12.3%, 13.8% and 16.6% of peak demand requirements, respectively (*Source: Power Scenario at a Glance, CEA, December 2009)*.

Structure of the Indian power sector

The following diagram depicts the structure of the Indian power industry for generation, transmission and distribution and consumption:

Overview of Power Industry - India



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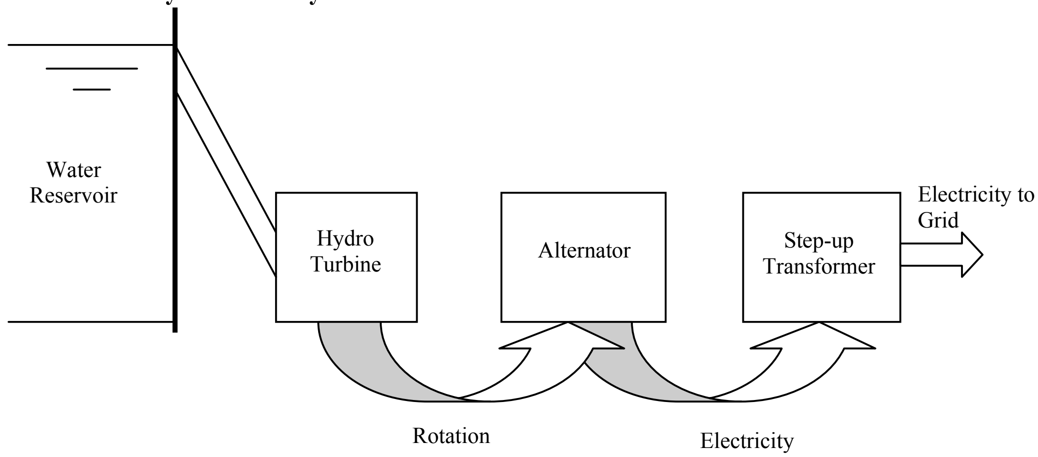
Hydroelectricity

Hydropower is a renewable source of energy that is more economical and less polluting and less damaging to the environment than most other forms of energy production. Developing hydropower enhances energy security as there is no fuel cost during the life of the project. Hydropower generation is unaffected by issues concerning fuel supply, particularly the volatile price fluctuations which affect imported fuels, and hydroelectric power stations are capable of instantaneously starting or stopping operations and are able to accommodate various loading alternatives. Hydroelectric power stations to improve the reliability of power systems and are ideal for meeting demand during peak times.

In a hydroelectric power station, energy is harnessed from water by running it from an increased height to a lower height and in the process, driving a hydro-turbine, which rotates an alternator to produce electricity.

Generation of Hydroelectricity



The key features of a hydroelectric power station generation system are:

Water reservoir. Hydropower (storage type) plants utilise a water reservoir, which provides the energy (i.e. moving water) to rotate the hydro turbine.

Hydroelectric turbines. Water flow drives the turbines, making the rotors of the turbine rotate at high speeds.

Alternators. Alternators are coupled to the turbines and rotate with the rotors of the turbine. The alternators convert the energy generated by the rotation of the turbines' rotors into electricity.

In order to evaluate the potential energy from a potential hydroelectric power station site, generally three aspects are considered:

Head. This is the height from which the water falls through the hydropower installation. Gross head is the height difference between the upstream water level, where the water typically enters a pipeline, and the downstream level, where the water leaves the installation. Net head is usually taken as the head across the turbine only and is calculated by deducting losses due to pipeline friction, intake screen losses and other such reductions in energy from the gross head.

Available flow. This is the water flow that can be directed through the turbine, which may not be the entire flow of the river since some water is usually left in the water course for environmental reasons or navigational purposes.

Flow duration. The flow in most rivers varies with time. Hence a flow duration curve is required to estimate the amount of time that an installation can run during the year. Average flow is generally used when discussing flow duration.

The principal classifications for the various types of hydroelectric development are (1) run-of-the-river schemes, storage schemes, tidal plant schemes and pumped storage schemes.

Run-of-the-river schemes. In this type of scheme, electricity is generated from the water flow of a river or other moving water source. This type of project generally has no reservoir to store water inflow from the catchment area, however, storage ponds may be constructed to divert water in a run-of-the-river scheme. These storage ponds do not have an impact on the flow of the water source. Storage ponds on run-of-the-river schemes, or "run-of-the-river with pondage" schemes, are used to mitigate the impact of short-term variations in the water flow.

Storage schemes. These schemes include a reservoir where seasonal surplus of water in excess of demand is stored for generating electricity in seasons of lower flows when demand exceeds inflow. In a storage scheme there is much greater flexibility for modulation of inflows. It can have annual or even carry-over capacity from one year to the next.

Tidal plant schemes. In a tidal plant scheme, power is generated by virtue of the daily differences in tidal levels. The tidal range, or amplitude, is given by the difference between the high tide level and the subsequent low tide level. The tidal range is not constant even at one site but fluctuates to a smaller or larger extent around a local mean value depending on geographical position.

Pumped storage schemes. In these schemes, water generates power during peak demand, while the same water is pumped back in the reservoir during lean demand period. A pumped storage plant operates on the principle that the same machines are used for generation of power during peak hours when power is given to the network and for pumping back water into the reservoir during off peak hours, utilising power from the system. The provision is based on economics of operation and the availability of enough spare capacity in the grid to operate the machines as pumps in the low load period.

Hydropower Potential in India

According to the Hydro Power Policy 2008 published by the MoP, India has enormous potential for hydroelectric generation. Based on information published by the CEA, India has the potential to generate approximately 84,044 MW through hydroelectric stations at a 60% load factor, which translates to 148,700 MW in terms of installed capacity. In addition to the above, approximately 6,782 MW of installed capacity has been projected to come from small, mini and micro-hydroelectric schemes, which are hydroelectric schemes with installed capacities of 25 MW or less. In FY 2009, these small scale hydropower generators were classified as Renewable Energy Sources **("RES")** (along with wind energy and biomass energy generation) by Planning Commission .

According to information published by the India Investment Centre, 56 potential pumped storage sites, with an aggregate installed capacity of approximately 94,000 MW have been identified.

The estimated hydropower potential and probable installed capacities of the major Indian river systems are given below:

Basin/River	Potential at 60% Load Factor	Probable Installed Capacity (MW)
Indus	19,988	33,832
Ganga	10,715	20,711
Central Indian Rivers	2,740	4,152
West-Flowing Rivers	6,149	9,430
East-Flowing Rivers	9,532	14,511
Brahmaputra	34,920	66,065
Total	**84,044**	**148,701**

Source: Hydro Power Policy 2008, MoP.

According to CEA, as at November 30, 2009, the installed generating capacity of all hydroelectric power projects in India (including pumped storage schemes but excluding hydroelectric power projects located in Bhutan and small, mini or micro-hydroelectric power projects) is approximately 36,885 MW.

As of November 30, 2009, according to information published by the CEA, aggregate installed capacity in India was approximately 155,859 MW, of which 36,995 MW was attributable to hydroelectric power schemes, representing 23.7% of aggregate installed capacity. The following table sets forth the breakdown of aggregate installed capacity in India as of November 30, 2009:

	Installed Capacity	
Type of station	**MW**	**Percentage (%)**
Thermal power	99,628	63.92
Hydroelectric power	36,885	23.67
Renewable energy sources	15,225	9.77
Nuclear power	4,120	2.64
Total	**155,859**	**100.00**

Source: Power Scenario at a Glance, CEA, December 2009.

Government plan for the development of the Indian power and hydroelectric sectors

In order to meet the growing demand and minimize shortages encountered in various regions, the Government has projected that aggregate generation capacity in India will need to be doubled over the next 10 years. The Government has historically adopted a system of announcing successive five-year growth plans known as Five Year Plans, that set out Government targets for economic development in various sectors, including the power sector. Each Five Year Plan has increased projected targets for additional capacity for power generation.

Despite the benefits of hydroelectric projects, the share of electricity generated by hydroelectric power schemes in India has steadily declined over the years, from 37% of total installed capacity in India at the end of the 1st Five Year Plan (1951 to 1956) to 23.67% in the current 11th Five Year Plan, although it rose to an aggregate of more than 45% by 1963 and continued to represent more than 40% of aggregate installed capacity in India until the late 1970s, before declining to the present levels commencing in the 1980s. 40% of aggregate installed capacity is considered by Ministry of Power to be the ideal hydro-thermal generation mix for meeting demand in an efficient manner. The table below sets forth certain information relating to installed capacity arising or projected to arise from hydroelectric power schemes from the beginning of the 1st Five Year Plan in 1951:

Plan Period	Capacity addition during period	Installed capacity (hydroelectric power)	Aggregate installed capacity[(1)]	Percentage of total installed capacity (%)
1st Plan (1951-56)	380.19	1,061.44	2,886.14	36.78
2nd Plan (1956-61)	977.18	1,916.66	4,653.05	41.19
3rd Plan (1961-66)	2,207.08	4,123.74	9,027.02	45.68
3 Annual plans (1966-69)	1,783.17	5,906.91	12,957.27	45.58
4th Plan (1969-74)	1,058.39	6,965.30	16,663.56	41.80
5th Plan (1974-79)	3,867.77	10,833.07	26,680.06	40.60
Annual Plan (1979-80)	550.90	11,383.97	28,447.83	40.01
6th Plan (1980-85)	3,076.05	14,460.02	42,584.72	33.96
7th Plan (1985-90)	3,828.41	18,307.63	63,636.34	28.77
2 Annual Plans (1990-92)	881.50	19,194.62	69,065.39	27.79
8th Plan (1992-97)	2,427.65	21,644.80	85,019.31	25.46
9th Plan (1997-02)	4,538.25	26,261.23	103,410.04	25.40
10th Plan (2002-07)	7,886.00	34,653.77[(1)]	132,329.21	26.19

Sources: Hydro Power Policy 2008, MoP; Monthly Review of the Power Sector, November 2009, CEA.

Notes:
(1) *Includes renewable energy source schemes, such as small or microhydroelectric power schemes.*
(2) *Includes 1,168 MW of small hydropower capacity which was later transferred to the RES category in the year 2007-08.*

As a result of the decreasing share of hydropower, thermal generation, which should ideally be used only for base load operations, is increasingly being used to meet peak requirements, which leads to sub-optimal utilisation of economic and non-renewable resources]. *(Source: Hydro Power Policy, 2008)*

The following sets forth the targets for increase of installed capacity in each plan period, as compared against the actual capacity addition achieved for the relevant period:

	Targeted capacity addition during plan period (MW)	Actual capacity addition (MW)	Percentage of capacity addition achieved during plan period (%)
4th Plan (1969-74)	3,518.00	1,058.39	30.08
5th Plan (1974-79)	4,654.00	3,867.77	83.11
Annual Plan (1979-80)	548.00	550.90	100.53
6th Plan (1985-90)	4,768.00	3,076.05	64.51
7th Plan (1985-90)	5,541.25	3,828.41	69.09
Annual Plan (1990-91)	1,006.50	445.50	44.26
Annual Plan (1991-92)	754.30	436.00	57.80
8th Plan (1992-97)	9,282.15	2,427.65	26.15

	Targeted capacity addition during plan period (MW)	Actual capacity addition (MW)	Percentage of capacity addition achieved during plan period (%)
9th Plan (1997-02)	9,817.70	4,538.25	46.23
10th Plan (2002-07)	14,393.20	7,886.00	54.79

Source: Hydro Power Policy, MoP, 2008

The 11th Plan (2009 to 2014) envisages that in order to meet projected energy requirements of 1,038,000 MU and a peak load of 152,746 MW with a 5% spinning reserve, total capacity addition of approximately 82,500 MW is required during the period. The 11th Plan proposes that aggregate capacity addition of approximately 78,700 MW be undertaken during the relevant period, to comprise 36,874 MW by the Government, 26,783 MW by the various states and the remaining 15,043 MW to be undertaken by private development. Of this, approximately 15,627 MW is targeted to be added by way of hydroelectric power schemes, comprising 8,654 MW (representing 55.4% of the planned installed capacity for hydroelectric power schemes) by the Government, 3,482 MW (representing 22.3%) by various states and 3,491 MW (22.3%) to be undertaken by private development.

The following table sets forth a summary of the targeted capacity addition during the 11th Plan period:

			Thermal Break-up				
	Hydropower	Total Thermal	Coal	Gas/ LNG	Liq. Fuel	Nuclear	Total
Central Sector	8,654	24,840	23,350	1,490	0	3,380	36,874
State Sector	3,482	23,301	19,985	3,316	0	0	26,783
Private Sector	3,491	11,552	9,515	2,037	0	0	15,043
Total:	**15,627**	**59,693**	**52,850**	**6,843**	**0**	**3,380**	**78,700**

Source: Power Scenario at a Glance, CEA, December 2009.

According to CEA, 3,392 MW of installed capacity has been commissioned under hydroelectric power schemes and a further 12,235 MW is under construction as of May 31, 2009.

Other Policy Initiatives for Encouraging Hydroelectric Power Development in India

We believe that the development of India's hydroelectric potential is a high-level priority of the Government. From time to time, the Government has taken a number of policy initiatives to address issues which impede the development of hydroelectric power projects in India, and has increased efforts to encourage hydropower development through public as well as private sector participation.

The CEA, in consultation with various states, the Department of Space, the MoEF, the Central Water Commission, and the Geological Survey of India, initiated a ranking study of all hydroelectric sites with a view to identifying the appropriate sequence in which basin projects should be taken up. The objective of the study is to promote the optimal utilisation of potential hydroelectric projects over the next few decades.

According to the Hydropower Policy 2008, the CEA has estimated the hydropower development potential of India at approximately 150,000 MW, based on its reassessment carried out between 1978 and 1987. As at the end of the 10th Five Year Plan, aggregate installed capacity from hydroelectric power schemes was approximately 34,653 MW. The following table sets forth projected hydropower capacity additions during the 11th to 14th Five Year plan periods:

Plan Period	Hydropower Capacity Addition (MW)	Total Hydropower Capacity at the end of plan (MW)
11th Plan (2007-08 to 2011-12)	15,627*	50,280*
12th Plan (2012-13 to 2016-17)	30,000	80,280
13th Plan (2017-18 to 2021-22)	31,000	111,280
14th Plan (2022-23 to 2026-27)	36,494	147,774

Sources: Hydro Power Policy 2008, MoP; Power Scenario at a Glance, December 2009, CEA.

According to Ministry of Power , the hydroelectric power potential of India is expected to be fully utilized as at the end of the 14th Five Year Plan period.

In addition, the Government recently introduced a three-stage process for the development of new hydroelectric projects in the Central Sector/Joint Ventures, which aims to reduce the time and cost overruns of hydroelectric projects arising from hasty investigation of potential project sites and unavailability of proper project development infrastructure such as access roads and land. The three stages of the new process are as follows:

Stage I. Survey and investigation of project site, and preparation of pre-feasibility report.

Stage II. Detailed investigation, preparation of a detailed project report and pre-construction activity including land acquisition.

Stage III. Execution of the project after approval of investment decision has been granted by the PIB/CCEA.

The MoP has been authorised to sanction expenditures of up to Rs. 100 million on Stage I activities for new hydroelectric projects. In addition, expenditures of up to Rs. 500 million may be incurred in connection with Stage II activities, subject to the review and approval by the PIB based on site clearances which have been obtained from the MoEF and after the commercial viability of the project has been established. Proposals which involve expenditures in excess of Rs. 500 million would require the approval of both the PIB and the CCEA.

Revised EIA rules

The MoEF issued a revised Environment Impact Assessment **("EIA")** notification dated September 14, 2006, in an effort to speed up the process of getting environmental clearance in respect of hydroelectric projects. Under the revised notification, the MoEF will grant the final environmental clearance after considering the environmental proposal, the EIA report and the public hearing report. For details, see the section titled ***"Regulations and Policies in India"*** on page 87.

Updated CERC regulations

The tariff for our operating power station is determined by the CERC and may be revised during the term of the respective PPAs, depending on changes in tariff regulations issued by CERC. The tariff for the period ended FY2009 was determined by earlier CERC regulations. The tariff from April 1, 2009 onwards is determined by the new tariff regulations issued by CERC vide notification no. L-7/145(160)/2008-CERC dated January 19, 2009 for the period 2009-14. The tariff structure prescribed by the CERC comprises a number of elements, including the concept of annual fixed charges, incentives and unscheduled interchange charges.

Annual fixed charges comprises energy charges and capacity charges and is determined by factors like return on equity, depreciation, interest on loan, interest on working capital and operation and maintenance expenses. From April 1, 2009, our tariffs have been based on the tariff regulations issued by the CERC and applicable for the period 2009 to 2014. For a discussion of the CERC's tariff regulations and their effect on our results of operations, see the section titled "***Management's Discussion and Analysis of Financial Condition and Results of Operations – Factors Affecting Our Results of Operations***" on page 129.

Provisions for Mega Power Projects

The threshold limit to obtain mega power project status is 500 MW for hydropower projects. This threshold has been reduced to 350 MW for projects located in Jammu & Kashmir, Sikkim and the North Eastern States. The developers of mega power projects receive a number of incentives, including a ten year income tax holiday and duty-free import of capital equipment. The State governments have also been requested to exempt supplies made to mega power plants from sales tax and local levies. These measures are intended to help in generating more hydroelectricity while the economies of scale in mega power projects will substantially bring down power tariffs.

Hydro Power Policy 2008

The Hydro Power Policy of 2008 lays emphasis on increasing private investment in the development of hydroelectric projects. The policy aims at attracting private funds by encouraging joint ventures with private developers and the use of independent power producer ("**IPP**") model besides promoting power trading and speeding up the availability of statutory clearances. This policy also provides special incentive for merchant sales of up to 40% of the saleable energy for the project(s) meeting the time lines and an additional 1% free power from the project to be provided and earmarked for local area development fund, aimed at providing a regular stream of revenue for income generation and welfare schemes, creation of additional infrastructure and common facilities on a sustained and continued basis over the life of the project. It has been further recommended that the host State government would also provide a matching 1% from their share of 12% free power towards this corpus fund. For details, see the section titled ***"Regulations and Policies in India"*** on page 87.

Import Policy for Enhancing Hydropower Utilisation

India faces acute peak power shortages. To bridge this demand-supply gap, the GoI is considering a power import policy to regulate power imports from neighboring countries. According to estimates at the BIMSTEC workshop in October 2006, Bhutan, Nepal and Myanmar have a combined hydropower potential of about 140,000 MW, of which around 3,000 MW has been exploited as of December 31, 2007. India has provided financial and technological assistance to Nepal and Bhutan in the past and various hydroelectric projects have been completed in collaboration with India.

Apart from these measures, the GoI has introduced several initiatives through the Electricity Act, 2003, the National Water Policy, 2002, the National Electricity Policy, 2005, and the National Rehabilitation and Resettlement Policy, 2007, which seek to encourage hydropower development. For details, see the section titled ***"Regulations and Policies in India***" on page 87.

OUR BUSINESS

The following information is qualified in its entirety by, and should be read together with, the more detailed financial and other information included in the Red Herring Prospectus, including the information contained in the section titled ***"Risk Factors"*** *beginning on page xiii.*

Overview

We are a hydroelectric power generation company originally established as a joint venture between the Government and the state government of Himachal Pradesh to develop and operate the NJHPS. Based on information published by the CEA, the NJHPS is currently the largest operational hydroelectric power generation facility in India based on installed capacity, with an aggregate generation capacity of 1,500 MW, and is located on the Sutlej River in the state of Himachal Pradesh.

We were incorporated in 1988 as a private limited liability company, and in August 1991, we officially took over the construction and operation of the NJHPS from the HPSEB. In October 2003, the first 250MW hydroelectric power generation unit was commissioned at the NJHPS, and by May 2004, all six power generating units at the NJHPS had been commissioned and the NJHPS was fully operational. For the years ended March 31, 2007, 2008 and 2009, the NJHPS generated 6,014 MU, 6,449 MU and 6,609 MU of power and for the nine months ended December 31, 2009, aggregate power generation at the NJHPS amounted to approximately 6,332 MU.

The NJHPS is currently our only hydroelectric power project in operation. We are required to supply 12% of our annual generation from the NJHPS to the state of Himachal Pradesh free of cost, and an additional 1% of our annual generation from projects located in the state of Himachal Pradesh to a local area development fund established by the state government of Himachal Pradesh for the purposes of providing a regular stream of revenue for income generation and welfare schemes, creation of additional infrastructure and common facilities on a sustained and continued basis over the life of the project. As at the date of this Red Herring Prospectus, we have not supplied any power to the state-established local area development fund, as may be required under a cabinet decision of the state government of Himachal Pradesh, and may be required to do so in the future. See "***Risk Factors—Internal Risk Factors— Risks Relating to our Business- We may be required to allocate an additional one percent of the power generated by the NJHPS to a local development fund established by the state government of Himachal Pradesh***" on page xix. Out of the remaining 88% of power generated by the NJHPS (which will be reduced by 1% to 87% in the event we are required to supply power to the local area development fund), 25% is supplied to the state of Himachal Pradesh and the remainder is supplied to various states located in the Northern region of India pursuant to ten long-term power purchase agreements, two of which have expired and are in the process of being renewed.

Through our construction and operation of the NJHPS, we have gained experience in the design, development, construction and operation of hydroelectric projects, and the execution and management of all aspects of such projects from the initial stages of concept to the commissioning, operation and maintenance of such projects. We are currently constructing the Rampur Project, which is expected to be a 412 MW hydroelectric power generation facility located downstream from the NJHPS. The Rampur Project is currently projected to be completed and commissioned in 2013. We have also been awarded the rights to develop and operate two hydroelectric projects with an expected aggregate generation capacity of 825 MW by the state government of Himachal Pradesh (in each of which we are expected to have a 51% participation interest). We have also entered into a memoranda of understanding with the state government of Uttarakhand for three hydroelectric projects with an expected aggregate generation capacity of 363 MW. We have further agreed to participate in a joint venture with NHPC Limited and the state government of Manipur for the development and operation of a 1,500 MW hydroelectric power project to be located in Manipur. We have also diversified our operations to target hydroelectric power projects available outside of India, and have been awarded the rights to construct and operate on a build, own, operate and transfer (BOOT) basis, a 900 MW hydroelectric power project to be located in the Sankhuwasabha district of Nepal, through participating in a competitive tender held by the Nepalese government. Through these projects, we expect to increase our total installed power generation capacity by approximately 3,588 MW.

We have also agreed to take a minority interest in a joint venture to be established for the development of a transmission line in the territory of India, which is part of a transmission line expected to connect Dhalkewar in Nepal to Muzaffarpur in India, and also intend to expand into providing technical advisory and consultancy services.

We have historically been able to achieve high levels of operational efficiencies, which are reflected through high average capacity indices for the NJHPS. Under the previous tariff regulations which were effective during this period, we were entitled to certain incentive payments based on our capacity index levels, as determined by the NRPC. Under the new tariff regime which is performance-based, we will be entitled to these incentive payments only if our monthly plant availability factor exceeds a pre-determined normative annual plant availability factor applicable to the NJHPS of 82%. According to data published by the NRPC, for the financial years ended March 31, 2007, 2008 and 2009, our annual plant availability factor (calculated as the average of our monthly plant availability factors in the period) for the NJHPS was 92.4%, 96.7% and 96.1%, respectively, which exceeded the normative annual plant availability factor applicable to the NJHPS of 85% applicable in those years.

We have obtained various ISO and OHSAS certifications for our operation of the NJHPS and with respect to our construction of the Rampur Project, as well as for our corporate, environmental, health and safety management systems. In May 2008, in recognition of our strong and consistent performance in achieving the annual performance targets set by the Government, we were designated as a Mini-Ratna Category-I public sector undertaking. As a Mini-Ratna Category-I public sector undertaking, we will have greater autonomy in undertaking certain investments without obtaining prior approval from the Government, subject to an investment ceiling of Rs. 5,000 million. In May 2008, we were also upgraded from a Schedule B public sector undertaking to a Schedule A public sector undertaking.

We have also obtained several award achievements from third party institutions for excellence in various fields, such as corporate leadership, engineering, financial and operational strength, health and safety management, hydroelectric power development, social contribution and environmental management. For example, in recognition of our commitment to the environment, we obtained several awards from the Greentech Foundation for our environmental management and policies at the NJHPS and the Rampur Project. We have also received the Rajiv Gandhi National Quality Award, 2008, in the 'Best of All' category from the Bureau of Indian Standards.

Based on our restated audited financial statements for the years ended March 31, 2007, 2008 and 2009, we generated total revenues of Rs. 14,761.7 million, Rs. 14,622.8 million and Rs. 16,348.4 million, respectively, and profit before tax of Rs. 7,692.5 million, Rs. 8,178.0 million and Rs. 10,025.5 million, respectively.

Our Competitive Strengths

We believe that we have the following key competitive strengths:

Experience in hydroelectric power project development. We have experience in the development, execution and management of mega-hydroelectric projects through our development and operation of the 1,500 MW NJHPS, which is the largest hydroelectric power generation facility in India based on generation capacity, and is located in the geo-technically sensitive Himalayan region. We believe that the design of the NJHPS is unique in its complexity, and has enabled us to achieve operational and maintenance efficiencies which has translated into lower operational and maintenance costs for the NJHPS. We believe that we will be able to leverage our experience in developing the NJHPS to effectively develop and operate our existing pipeline of projects, as well as obtain new projects in the future. Further, we believe that our experience in dealing with public interest groups, non-governmental organizations and local communities, as well as in the land acquisition process and with geological issues peculiar to the Himalayan region will prove to be valuable in any development of new projects going forward.

Established track record of operational excellence. Since the commissioning of the NJHPS, we have consistently met or exceeded Government-set performance targets for our operations, and have been upgraded to a Schedule A public sector undertaking and designated as a Mini-Ratna Category-I public sector undertaking in recognition of our efforts. We have also obtained ISO quality certifications for our operations, and several awards for excellence in various fields, such as corporate leadership, engineering, financial and operational strength, health and safety management, hydroelectric power development, social contribution and environmental management. We believe that our established performance track record and experience in executing, operating and managing the NJHPS will give us a competitive advantage in developing large hydroelectric power projects, both in India and abroad.

Stable revenue stream through long-term power purchase agreements with state electricity boards and distribution licensees. We have entered into ten power purchase agreements with state utilities in the Northern region of India, two of which are in the process of being renewed, under which all of the power generated by the NJHPS (except for 12% of our annual generation which is allocated to the state of Himachal Pradesh free-of-charge and an additional 1% of annual generation from projects located in the state of Himachal Pradesh, which is allocated to a state-established local development fund) is sold to state electricity boards. Payment for sales of electricity to these state utilities are typically secured by forms of credit support such as letters of credit issued by reputable financial institutions or by state government guarantees. We have not experienced any significant delays in payment or payment defaults by such customers in the past, and we maintain strong working relationships with these customers.

Ability to capitalize on performance-based incentives under the current tariff regime. Since the full commissioning of the NJHPS in May 2004, we have consistently achieved a monthly plant availability factor of more than 82%, which is the normative annual plant availability factor which has been set by the CERC for the NJHPS under the new tariff regulations which are effective from April 1, 2009 to March 31, 2014. Subject to disruptions to our operations arising from factors not within our control such as water supply availability, silt levels, power evacuation constraints and prevailing weather conditions, we believe that we will be able to maintain our performance going forward, and will thus be eligible to recover the full amount of capacity charges as well as qualify for certain performance-based incentives under the new tariff regime based on excess generation and normative annual plant availability factor.

Established reputation for good corporate governance and environmental and social responsibility. One of our key corporate objectives is to manage our business effectively while striving to minimize disruptions to the environment and local communities in the areas where our projects are located. We are especially cognizant of, and committed to our environmental and social responsibilities and towards this end, have implemented several corporate initiatives for the benefit of local communities in our project areas, as well as to mitigate the effects of our hydroelectric project operations on the surrounding environment, in excess of current Indian legal and regulatory requirements. We believe that our commitment to our social and environmental responsibilities has been key in establishing our reputation and credibility as a highly rated power generation company, which we will be able to leverage in tendering for new projects going forward, and will also prove to be advantageous in minimizing opposition from public interest groups, non-governmental organizations and local communities in our future project areas under development, thus facilitating our timely completion of such projects.

Existing committed work force. We fully recognize that the contribution of our employees is integral to the achievement of our ambitious plans and have thus adopted an organizational philosophy which acknowledges and rewards their contributions. We subscribe to the philosophy that human resources are the key to the success of an organization. This calls for the creation of a conducive work environment capable of maximizing employee commitment to our Company through, for example, programs and initiatives which facilitate individual growth and achievement, as well as optimizing career certainty and growth for each individual employee. We continually strive to create a transparent organization in which career progression for each of our executive level staff is clearly delineated and are in the process of redefining our employee programs for non-executive staff to align their objectives more closely with those of our Company.

Strong cash position to support project development and operations. We believe that our strong historical financial performance and steady cash flows from our existing operations at the NJHPS are sufficient to fund, through our internal resources, the equity contribution portion for our existing pipeline of projects, and support our working capital requirements, while at the same time servicing and repaying our existing debt on a timely and reliable basis, and maintaining a healthy level of cash on our balance sheet. For the years ended March 31, 2007, 2008 and 2009 and the nine months ended December 31, 2009, our cash and cash equivalents were approximately Rs. 6,210.4 million, Rs. 6,936.0 million, Rs. 12,714.4 million and Rs. 14,871.5 million, respectively. We believe that our strong cash position and cash flow generation capabilities from the NJHPS are attributable to a number of sustainable long-term factors, including stable customer demand, stable cost structure and an experienced and capable management team.

Guaranteed return on capital under prevailing tariff regime. Pursuant to past and prevailing Government policies, electricity tariffs which may be charged by a power producer with respect to power supplied by it from a particular project are determined based on a formula which incorporates a guaranteed return on equity. For the previous tariff regime in effect from April 1, 2004 to March 31, 2009, the guaranteed rate of return on equity was 14%, and under the new tariff regime currently in effect from April 1, 2009 to March 31, 2014, the guaranteed rate of return on equity is 15.5%. Under Government policies and prevailing regulations, up to 30%

of aggregate project costs in relation to a project is eligible for the guaranteed rate of return on equity. We obtained a special dispensation for the NJHPS, under which our tariff rate charged for power supplied from the NJHPS incorporates a guaranteed rate of return on equity on 50% of the project costs (being the amount of project costs which were financed by equity contributions). We anticipate that we will be well positioned to benefit from Government policy incentives as the Indian energy sector continues to develop.

Our Strategy

The main elements of our business strategy include the following:

Pursue business and capacity expansion plans to meet rising energy demand and increase our market share. We anticipate that demand for energy in India will continue to increase, and we believe that we are well positioned to benefit from such increased demand. We estimate that we will add approximately 3,588 MW to our aggregate generation capacity through the development of our existing pipeline of projects, subject to unforeseen circumstances which may cause completion delays or revisions to project parameters, and intend to pursue new opportunities for hydroelectric power projects as they become available, both in India and in surrounding regions in countries such as Bhutan and Nepal and elsewhere, which we believe have great development potential. We intend to pursue opportunities through direct tenders for projects, as well as through partnering with high quality power developers to tender for new projects which become available. See the section titled "***Risk Factors—Internal Risk Factors- Risks Relating to Our Business—Our expansion into emerging geographic markets exposes us to risks associated with investing and carrying out operations within those markets***" on page xxxiii.

Continue to provide sustainable and reliable electricity supply to our customers. We will continue to focus on providing reliable sustainable energy to new and existing customers through maintaining our performance standards at the NJHPS, as well as on the development of new hydroelectric power projects in an environmentally and socially responsible manner. To this end, we intend to focus on modernizing and maintaining our operations at the NJHPS in line with internationally recognized quality and technical standards, as well as invest in viable equipment upgrades to further optimize our performance.

Pursue diversification initiatives. We intend to diversify our business operations into various alternative energy projects, such as wind power and solar energy projects. We are currently in the process of evaluating the feasibility of such alternative energy projects, and have obtained board approval to engage professional consultancies with the appropriate technical knowhow and expertise, with the objective of identifying any suitable business opportunities in these alternative energy sectors. In addition to this, we also intend to pursue geographical diversification through tendering for hydroelectric power projects outside of India, and to leverage our technical expertise and know-how in the hydroelectric power sector into establishing a technical consultancy and advisory business focusing thereon. We have also agreed to take a minority stake in a joint venture company with certain other private sector parties for the development of part of a power transmission line connecting India and Nepal. See "***Risk Factors—Internal Risk Factors- Risks Relating to Our Business—Our current business strategy involves, among others, the diversification of our operations into various alternative energy projects, such as wind power and solar energy, in which we have no prior operational history***" on page xx.

Maintain our focus on environmental and corporate social responsibility. We have undertaken a number of environmental and corporate social responsibility initiatives and intend to expand our involvement in these areas. We aim to conduct our business operations in a manner that promotes social responsibility, sustainable development, minimization of ecological and social disturbances and to raise the living standards of the local communities in our project areas and contribute to their advancement. We will continue to monitor developments in environmental and social conditions in our operational project areas with the objective of addressing any concerns in a timely manner.

Increase profitability and shareholder value through capitalization on efficiency incentives under the current tariff regime and the clean development mechanism scheme. We intend to pursue improvements to our profitability with the objective of increasing shareholder value through, among others, capturing to the maximum extent possible financial incentives and benefits associated with increased operational efficiency which are available under the current tariff regime, as well as through registering our hydroelectric power projects under the United Nations Framework Convention on Climate Change of 1994 to earn certified emission reduction credits, which may be sold to industrialised countries. We are also in the process of investigating other carbon trading initiatives which may be applicable to our projects.

Our Operations

We are in various stages of developing each of our existing pipeline of projects, further details of which are set out in "***—Our Projects—Projects under development***."

From our experience, the following is a description of the key steps in the development and operation of a hydroelectric power project:

Project Assessment and Clearance

Generally, for projects to be undertaken by central or state-owned enterprises, a hydroelectric power project is conceptualized by the Government in conjunction with state governments, based on analyses of existing and projected installed generation capacity and supply factors, as well as projected demand for such electricity. If, as a result of such analyses, the Government and state government determine that a hydroelectric power project should be developed and award such project to us, we then enter into a memorandum of understanding or implementation agreement with the relevant state government with respect to the project in question, and proceed to apply for the requisite clearances and approvals under the three-stage clearance process for public sector undertakings introduced by the Government in June 2001.

The three stage clearance-process is as follows:

Stage I – Preparation of pre-feasibility report/feasibility report. In preparing a pre-feasibility or feasibility study report, we typically use a combination of internal resources and third party appointments to collect data and prepare reports or analyses, establish testing and discharge sites and conduct meteorological, geological and hydrological investigations, surveys and measurements, including conducting geological explorations for the purposes of determining dam and powerhouse placement and optimal civil structures for the project, topographical surveys of the project areas, and undertaking environmental assessments and studies. Based on the results of these investigations and our analysis, we then prepare a feasibility study report, which is then submitted to the CEA for initial review. The feasibility study report typically sets out key preliminary geological, hydrological, meteorological and topographical observations, as well as technical details of the proposed power generation facilities, justifications for the project and certain preliminary financial estimates. This report is reviewed by the CEA, which makes a determination about the commercial viability of the project. All preliminary project estimated costs must also be approved by the MoP. Concurrently during this process, we typically apply for environmental clearances for pre-construction activities such as site clearance. We also liaise with the MoEF in the preparation and agreement of the terms of reference for the purposes of an environmental impact assessment report (an "EIA") to be prepared in Stage II.

Stage II – Preparation of detailed project report and commencement of infrastructure development works. Following the approval of the feasibility study report by the MoP and the CEA, and after obtaining all requisite clearances from the MoEF, we proceed to carry out extensive survey and investigation works in order to prepare a detailed project report. The detailed project report sets out the scope of the work, detailed specifications of key components, salient features, general and design aspects, cost estimates and financial analysis, and is reviewed by various governmental agencies, including the Geographical Survey of India, the Central Water Commission, the Ministry of Water Resources and the Ministry of Defence. Concurrently with the preparation of the DPR, we also prepare the EIA which is then submitted to the state government as well as to the Ministry of Environment and Forest. A report setting out forest land requirements is also prepared and submitted to the Ministry of Environment and Forest for their approval. We also reach out to local communities to establish lines of communication and, in the case of affected communities which may need to be relocated, negotiate a suitable rehabilitation and resettlement package for such communities.

Stage III – Project construction. Once all Stage II approvals have been obtained, we prepare a final proposal which is submitted to the CCEA for its approval, together with written recommendations from the PIB and the Government. Upon obtaining the approval of the CCEA, project construction commences, subject to the completion of the land acquisition process.

Project Design and Construction

The engineering and design of a hydroelectric project requires integrated input from a number of specialized engineering disciplines:

- *Civil and hydro-mechanical design*. This involves the development of detailed site plans, including civil work layouts, review of hydrological data and supervision of field surveys, investigations and hydrological studies and assessment of the impact of soil erosion and sedimentation levels on the hydroelectric project;

- *Geological and geotechnical design*. This involves the collection of sufficient qualitative and quantitative geological, geotechnical and construction material information to determine the base design parameters for the major civil structures of the project. Geological and geotechnical investigations such as exploratory drilling, surface mapping, trenching and pitting are undertaken to enable identification of overburden and rock types, to identify and select the construction materials to be used in stabilizing slopes and in the foundation, and to determine the leakage required for the structures. Assessments of seismicity are undertaken to ensure that earthquake effects have been adequately addressed in the geotechnical structure designs, as well as assessments of technical risks such as unknown subsurface conditions;

- *Electrical and mechanical design.* This involves the assessment of the electrical and mechanical needs of the project and the preparation of electromechanical engineering designs for the project, provision of technical data and cost estimates on electrical and mechanical equipment, and the preparation of operation and maintenance manuals for electromechanical works.

We typically act in a supervisory role in the construction of our hydroelectric power projects, and are responsible for the overall supervision and management of the project. Based on the specific characteristics and requirements of the project in question, we determine the works which are required to be completed and the type and number of sub-contractors required to be engaged for the purposes of constructing the project. In general, depending on the size of the project in question, between one and two contracts are awarded for the civil works, and one contract is awarded respectively for each of the hydromechanical components and the electromechanical components. We award our major project contracts under competitive tender processes which we believe are in accordance with international standards. The tender processes takes into consideration the general, technical and financial suitability of each of the bidding contractors, are transparent and provide recourse through well-developed dispute resolution mechanisms.

We typically establish a project office on each site, and designate a representative employee to liaise with each of our sub-contractors and to monitor construction progress. Our project office representatives typically liaise with our internal technical staff, who also make regular site visits for the inspection and supervision of ongoing works, in reviewing and providing feedback on the construction process and methodologies employed. Our team of engineers monitor the work of our subcontractors closely to ensure that such work is performed within parameters and to specification. Prior to delivery, our commissioning and start-up team will conduct field testing to ensure that the facility meets contractual specifications as well as national regulations and international standards.

Our Projects

The following table sets forth a summary of our projects under operation, construction, development and implementation:

Project	State/Country	Installed Capacity (Actual/Anticipated)
Operational project		
NJHPS	Himachal Pradesh, India	1,500 MW
Project under construction		
Rampur	Himachal Pradesh, India	412 MW
Projects under development/implementation		
Luhri(1)	Himachal Pradesh, India	775 MW
Dhaulasidh(2)	Himachal Pradesh, India	50 MW(3)
Devsari	Uttarakhand, India	252 MW
Naitwar Mori	Uttarakhand, India	60 MW
Jakhol Sankri	Uttarakhand, India	51 MW
Arun-III	Nepal	900 MW
Tipaimukh(4)	Manipur, India	1,500 MW
Others		
Transmission JV	Nepal/India	N.A.

Notes:

(1) This project will be constructed by a special purpose vehicle to be established between our Company and the state of Himachal Pradesh, in which we have agreed to take a 51% equity interest and the state of Himachal Pradesh has agreed to take a 49% equity interest.

(2) Pursuant to the terms of the agreement awarding us the right to develop, construct, own and operate the Dhaulasidh Project, the state government of Himachal Pradesh will own a 49% interest in this project. The method by which this allocation will be achieved is currently under review by our Company.

(3) A revised feasibility study report has been prepared with respect to this project which revises the proposed installed capacity from the original 50 MW to 66 MW. This is currently under review by management.

*(4) This project will be developed by a joint venture company to be established in which we have agreed to take a 26% equity interest, with NHPC Limited and the state of Manipur taking a 69% and 5% equity interest respectively. This project was originally awarded to the North Eastern Electric Power Corporation and is in the process of being transferred, pursuant to minutes of meeting dated July 6, 2009 of the MoP whereby it was determined by the Government that the project would be developed by the joint venture company to be established by NHPC Limited, the state of Manipur and our Company. See the section titled "**Risk Factors—Internal Risk Factors- Risks Relating to Our Business—Some projects which may have originally been awarded to us, may be transferred to other of our competitors by the Government or state governments**" on page xxii.*

Operational Project – The Nathpa Jakhri Hydro Power Station (NJHPS)

The NJHPS is a 1,500 MW (6 x 250 MW) run-of-the-river hydroelectric power station with pondage. The station is located on the Sutlej river in Himachal Pradesh, India. In 1988, we were incorporated as a joint venture between the Government and the state government of Himachal Pradesh to construct and operate the NJHPS, and the project was officially handed over to us in August 1991 by the HPSEB.

In July 1993, we commenced construction of the project, after having received all requisite approvals for the commencement and construction of the project. In October 2003, the first of six 250MW hydroelectric power generation units was commissioned, and by May 2004, the power station was fully operational.

The NJHPS features a 62.5 meter high concrete dam, an underground desilting complex comprising four chambers measuring 525 meters in length, 16.31 meters in width and 27.5 meters in depth, a head race tunnel of 10.15 meters in diameter and 27.30 kilometers in length, a 301 meter deep surge shaft, three circular steel-lined pressure shafts of 4.9 meters in diameter and between 571 meters and 622 meters in length, an underground powerhouse measuring 222 meters in length, 20 meters in breadth and 49 meters in depth, housing six 250 MW turbine units, and a tail-race tunnel of 10.15 meters in diameter and 982 meters in length. This power station has an annual design energy generation capacity of 6,612 MU in a 90% dependable year. The NJHPS is situated on approximately 405.8 hectares of land, of which 218.7 hectares were acquired by our Company pursuant to the land acquisition process and approximately 187.2 hectares of forest land have been diverted for use by our Company for the operation of the NJHPS by the MoEF.

Offtake arrangements. The following table sets out the parties to whom we supply power under PPAs entered into by us with such parties:

Party	State	Date of commencement of PPA	Duration of PPA
Punjab State Electricity Board	Punjab	October 24, 2002	35 years
Haryana Vidyut Prasaran Nigam Limited	Haryana	January 14, 2003	35 years
Chandigarh Administration, Engineering Department	Chandigarh	December 18, 2002	35 years
Government of Himachal Pradesh (1)	Himachal Pradesh	October 31, 2005	35 years
Himachal Pradesh State Electricity Board (1)	Himachal Pradesh	March 31, 2003	40 years
Delhi Transco Limited	Delhi	March 27, 2003	35 years
Power Development Department of Jammu and Kashmir(2)	Jammu and Kashmir	July 29, 2003	5 years
Rajasthan Rajya Vidyut Prasaran Nigam Limited	Rajasthan	February 28, 2003 with a supplementary agreement entered into on May 19, 2004	35 years
Uttar Pradesh Power Corporation(2)	Uttar Pradesh	April 19, 2004	5 years
Uttarakhand (formerly Uttaranchal) Power Corporation Limited	Uttarakhand	December 22, 2005	35 years

Notes:

(1) This PPA does not govern the supply of 12% of the annual generation from the NJHPS which is required to be made to the state of Himachal Pradesh free-of-charge pursuant to Government policies.

(2) This PPA has since expired. However, the terms of this PPA provide that upon expiry, the terms set forth in such PPA will continue to govern the supply of electricity to such party pending the execution of a new PPA or an extension thereto.

Due to the current imbalance between demand and supply in the Indian power sector, and the competitive rates at which we are able to supply power, we do not currently foresee difficulties with renewing these PPAs when they expire. Each of our PPAs currently provide that in the event that it expires, the terms of the expired PPA will continue to govern our supply of electricity to such party until the execution of a new PPA or an extension thereto. Two of our PPAs have currently expired, and we are in the process of having them renewed. Our supply of power to customers under these expired PPAs are governed by the terms of the expired PPA until such time as it is renewed or replaced. See "***Risk Factors—Internal Risk Factors- Risks Relating to Our Business—Certain of our power purchase agreements have expired***" on page xxix.

Pursuant to Government policies and our constitutional documents, we are required to supply 12% of the aggregate power generated by the NJHPS to the state of Himachal Pradesh free-of-charge, and 1% of aggregate power to a state-established local area development fund. As at the date of this Red Herring Prospectus, we have not supplied any power to the state-established local area development fund, as may be required under a cabinet decision of the state government of Himachal Pradesh, and may be required to do so in the future. See "***Risk Factors—Internal Risk Factors— Risks Relating to Our Business—We may be required to allocate an additional one percent of the power generated by the NJHPS to a local development fund established by the state government of Himachal Pradesh***" on page xix. Out of the remaining 88% of power generated by the NJHPS (which will be reduced by 1% to 87% in the event we are required to supply power to the local area development fund), 25% is supplied to the state of Himachal Pradesh at the tariff determined by the CERC in accordance with prevailing tariff policies and regulations. All remaining power generated by us has been allocated by the MoP to various states or union territories in the Northern Region of India. The following table shows the allocation of power to the Northern region states or union territories as follows:

State/Union Territory	**Percentage (%)**[1] **(based on installed capacity of 1500 MW)**
Haryana	4.27
Himachal Pradesh[2]	36.47
Jammu & Kashmir	7.00
Punjab	10.13
Rajasthan	7.47
Uttar Pradesh	14.73
Uttaranchal[3]	*
Chandigarh	0.53
Delhi	9.47
Unallocated[4]	9.93
Total	100.00

Notes:

(1) Based on information published on the NRPC website.

*(2) Includes power supplied to the state of Himachal Pradesh based on its entitlements to 12% of power supplied by the NJHPS free-of-charge and 22% pursuant to the articles of association of our Company. As of the date of this Red Herring Prospectus, we have not supplied any power to the state-established local area development fund, as may be required under the cabinet decision of the state government of Himachal Pradesh (Press Note No. 884/2009-PUB). See "**Risk Factors—Internal Risk Factors- Risks Relating to Our Business—We may be required to allocate an additional one percent of the power generated by the NJHPS and the Rampur Project to a local area development fund established by the state government of Himachal Pradesh**" on page xix.*

(3) The state of Uttaranchal elected to surrender its power allocation to the Government, which was subsequently re-allocated to the state of Punjab.

(4) The Government is entitled to allocate this power to states or union territories in the Northern region on a discretionary basis.

We charge these customers for supplies of electricity made to them based on tariffs which are determined by the CERC in accordance with tariff regulations currently in force. For a description of our tariffs, please see

"***Management's Discussion and Analysis of Financial Condition and Results of Operations – Factors Affecting Our Results of Operations***" on page 127.

Operational statistics. The following table sets out certain operational statistics and metrics with respect to the NJHPS:

	Year ended March 31,					Nine months ended December 31,
	2005	**2006**	**2007**	**2008**	**2009**	**2009**
Installed capacity (MW)	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0
Gross generation (MU) [(1)]	5,170.8	4,401.4	6,014.5	6,449.0	6,608.7	6,332.4
Ex-bus generation (MU)[(1)(2)]	5,108.8	4,055.2	5,942.3	6,385.3	6,547.8	6,275.2
Saleable energy (MU)[(3)]	4,467.6	3,533.9	5,179.1	5,564.7	5,759.5	5,521.9
Plant availability factor/capacity index (%)	94.5	69.2	92.4	96.7	96.1	102.6
Normative annual plant availability factor (%)	85.0	88.8	85.0	85.0	85.0	82.0

Notes:

(1) Based on information published by the NRPC. Gross generation is calculated as the sum of total power generated at generator terminals from all units of a station.

(2) Ex-bus generation is power generated which is delivered to the grid at the transmission line (busbar) of the NJHPS.

(3) Saleable energy is calculated as ex-bus energy scheduled by the generating station for a day less the share of free power for home state from actual ex-bus generation.

Project cost estimates and financing arrangements. We have obtained CCEA approval for project costs of Rs. 81,877.13 million. These project cost estimates were increased several times over the duration of the project construction, primarily due to unforeseen events such as floods which materially damaged project equipment and sites, and underground geological conditions which necessitated additional work outside of the originally contracted scope of work, each of which resulted in significant completion delays. These project costs were further increased due to inflationary pressures and the depreciation of the Rupee against currencies such as the U.S. dollar experienced over the period. See "***Risk Factors—Internal Risk Factors- Risks Relating to Our Business—The development of hydroelectric power projects typically requires substantial initial capital expenditures***" on page xxviii. In addition, we have received certain contractor claims with respect to the NJHPS for additional work or time extensions. See "***Risk Factors—Internal Risk Factors- Risks Relating to Our Business—We have not obtained approval for the recovery of certain project costs incurred in the development of the NJHPS***" on page xxvi.

Of actual project costs incurred, approximately Rs. 79,908.0 million has been approved by the CERC as capital expenditures which are recoverable through the imposition of annual fixed charges, and as qualifying capital expenditures on which we are entitled to a return on equity of 15.5%, under current Government policies and regulations.

The NJHPS was financed through equity contributions by the state of Himachal Pradesh and the Government of Rs. 10,272.0 million and Rs. 30,816.1 million respectively, as well as through debt financing of approximately Rs. 38,373.1 million in aggregate. Debt financing incurred by our Company in connection with the construction of the NJHPS comprised two loans from the Power Finance Corporation of approximately Rs. 14,380.0 million in aggregate outstanding principal amount, external commercial borrowings from overseas lenders of approximately Rs. 5,664.1 million, a syndicated term loan of approximately Rs. 2,950.0 million in outstanding principal amount and a Government fixed-rate loan of approximately Rs. 15,379.0 million in principal amount. In connection with the Government loan made to us, the Government obtained financing from the World Bank for an outstanding principal amount of US$422 million. We refinanced the outstanding amount of this Government loan by obtaining loan facilities of approximately Rs. 15,379.0 million in aggregate through certain commercial banks and financial institutions. As of December 31, 2009, we had outstanding obligations due in connection with the construction of the NJHPS of approximately Rs. 12,684.0 million.

Power evacuation. Power generated by the generation units at the NJHPS is evacuated through two double-circuit 400 KV transmission lines to the Northern grid. The first transmission line of 180 kilometers in length connects the NJHPS with the Abdullapur sub-station of PGCIL in Haryana, and the second transmission line of 145 kilometers in length connects the NJHPS with the Nalagarh sub-station of PGCIL in Himachal Pradesh. Both these transmission lines in turn transmit power to the Northern grid of India.

Procurement. Through international competitive bidding processes, we awarded the following main contracts with respect to the construction of the NJHPS:

Type of contract awarded	Contractor
Civil works	joint venture between Continental Construction (India) and Foundation (Canada)
Civil works	joint venture of Hindustan Construction Co. (India) and Impregilo (Italy)
Civil works	consortium comprising Jaiprakash Industries Ltd. (India) and Hyundai (Korea)
Electromechanical works	consortium comprising ABB (Germany), Kvaerner Energy A.S. (Norway), Sulzer Hydro (Switzerland), Siemens (Germany), ABB (India) and BHEL (India)
Electromechanical works	GEC Alstom (France)
Electromechanical works	BHEL (India)

Approvals/Clearances. For a description of the approvals and clearances obtained with respect to the NJHPS, see "***Government and Other Approvals***" on page 161.

Awards/Qualifications. We have obtained the following ISO qualifications and awards with respect to the NJHPS:

Awarding Organization	Award/Qualification	Date of award	Category
Greentech Foundation	Greentech Foundation Safety Award (Silver)	May 2009	Safety Management at the NJHPS
Greentech Foundation	Greentech Foundation Safety Award (Silver)	2008	Safety Management at the NJHPS
Greentech Foundation	Greentech Foundation Safety Award (Silver)	February 2007	Safety Management at the NJHPS
Greentech Foundation	Greentech Foundation Safety Award (Silver)	April 2006	Safety Management at the NJHPS
Det Norske Veritas	ISO 9001:2000	February 2007	Quality Management Systems

Government-set performance targets. We have consistently met certain annual performance targets which have been set by the Government with respect to our operations at the NJHPS, which are set forth in a memorandum of understanding entered into between our Company and the Government at the beginning of each financial year. The following table sets forth certain selected performance targets relating to generation targets for the financial years ended March 31, 2007, 2008 and 2009 and our actual generation and performance targets for those years:

	Financial year ended March 31,					
	2007		2008		2009	
	Target	Actual	Target	Actual	Target	Actual
Operational performance:						
Gross energy generation (MU)	6,400	6,014	6,720	6,449	6,600	6,608.7
Plant availability factor (%)	90%	92.4%	88%	96.7%	92%	96.1%
Financial performance:						
Gross sales (Rs. millions)	12,820	14,094.6	14,030	13,567.5	13,780	14,907.8
Net Profit/Net Worth	0.096	0.124	0.126	0.126	0.116	0.125
Rating	Very Good(1)		Very Good(1)		Excellent(2)	

Notes:

(1) There are five rating categories with different performance targets for each category: "Excellent," "Very Good," "Good," "Average" and "Poor". In each of these years, our Company achieved the rating of "Very Good" as we met the performance targets for such rating. The performance targets shown in these columns are based on the "Excellent" category.

(2) We achieved the rating of "Excellent" as we met the performance targets for such rating in this year.

For the financial year ended March 31, 2010, according to information published by the NRPC, our gross energy generation was 7,017.55 MU. Our performance target for gross energy generation set in the memorandum of understanding entered into with the Government for the relevant year was 6,600 MU.

Project under Construction – the Rampur Project

The 412 MW Rampur Project is located downstream of the NJHPS on the Sutlej River, and is a tailrace arrangement which is expected to use the desilted water discharged from the NJHPS. The Rampur Project is currently expected to be completed by 2013. We signed the implementation agreement for the Rampur Project with the state government of Himachal Pradesh in October 2004, and the project was approved by the CCEA in January 2007. We commenced construction works on the Rampur Project in February 2007, after obtaining all requisite statutory clearances required in connection with the construction works.

The Rampur Project is expected to feature a head-race tunnel of 15.14 kilometers in length and 10.5 meters in diameter, a surge shaft of 155.75 meters in height, and 38 meters in diameter, a valve house of 69 meters in length, 10.5 meters in width and 23 meters in height, housing 3 butterfly valves on three penstocks of between 368 meters and 382 meters in length and 5.4 meters in diameter, a surface power house of 158 meters in length, 24.5 meters in width and 48 meters in height, housing six 68.67 MW Francis turbines, and a tail-race tunnel of 67.15 meters in length and 10.5 meters in diameter. These measurements vary from the initial project measurements relating to such facilities set forth in the detailed project report submitted to the CERC and CEA for approval, due to certain design changes that were required as a result of prevailing geological conditions. When completed, the power station is expected to have a designed annual energy generation capacity of 1,770 MU in a 90% dependable year based on a 95% plant availability factor. The Rampur Project is expected to be situated on approximately 100.5 hectares of land, of which 29.2 hectares were acquired by our Company pursuant to the land acquisition process over a period of approximately 18 months and the remaining 70.3 hectares of forest land have been diverted by the MoEF for use in connection with the operations of the Rampur Project by our Company. We also purchased approximately one hectare of land privately for the purposes of resettling certain affected individuals.

Offtake arrangements. We have not entered into offtake arrangements with respect to power generated by the Rampur Project. However, pursuant to Government policies, we are required to supply 12% of the aggregate power generated by the Rampur Project, when completed and operational, to the state of Himachal Pradesh free-of-charge, 1% will be supplied to a state-established local development fund for the purposes of providing a regular stream of revenue for income generation and welfare schemes, creation of additional infrastructure and common facilities on a sustained and continued basis over the life of the project. Out of the remaining 87% of power which is expected to be generated by the Rampur Project, 30% will be supplied to the state of Himachal Pradesh at the tariff rate set by the CERC in accordance with prevailing tariff policies and regulations. We expect all remaining power generated by us to be allocated by the MoP to various states or union territories in the Northern region of India in accordance with a predetermined formula.

We expect to charge for supplies of electricity based on tariffs which are set by the CERC in accordance with tariff policies and regulations currently in force. For a description of prevailing tariff policies, see the section titled "***Management's Discussion and Analysis of Financial Condition and Results of Operations – Factors Affecting Our Financial Condition and Results of Operations***" on page 129.

Project cost estimates and financing arrangements. As at December 31, 2009, we have spent approximately Rs.8,314.2 million in aggregate on the construction of the Rampur Project. In January 2007, we obtained CCEA approval for estimated project costs of an aggregate of Rs. 20,470.3 million.

The Rampur Project is expected to be financed through equity contributions by the state of Himachal Pradesh and the Government in the proportion of 30:70, as well as through debt financing. Of the total project costs, 30% is expected to be funded through equity contributions, and the remaining 70% is expected to be funded through debt financing. In September 2007, we obtained World Bank funding of US$400 million in connection with this project. For details see section titled "***Financial Indebtedness***" and "***Risk Factors—Internal Risk Factors- Risks Relating to Our Business—We are dependent on external sources of funding for our expansion plans and we may not be able to obtain financing for our projects on commercially acceptable terms***" on pages 123 and xxx respectively.

Power evacuation. Power generated by the Rampur Project is expected to be evacuated from a 400 KV GIS switchyard through an already existing double-circuit 400 KV transmission line connecting the NJHPS with the Nalagarh sub-station of PGCIL in Himachal Pradesh, through a loop-in, loop-out circuit expected to be located at Duttnagar. This transmission line transmits power to the Northern grid.

Procurement. Through international competitive bidding processes, we awarded the following main contracts with respect to the construction of the Rampur Project:

Type of contract awarded	Contractor	Estimated Contract Value
Civil works	joint venture of Gammon India (India) and Patel Engineering Limited (India)	Rs. 3,824.4 million US$9.1 million
Civil works (including hydromechanical works)	joint venture of Gammon (India) and Patel Engineering Limited (India)	Rs. 3,642.6 million ¥359.1 million €0.5 million
Electro-mechanical works	BHEL (India)	Rs. 5,356.5 million €15.5 million

Approvals/Clearances. For a description of the approvals and clearances obtained with respect to the Rampur Project, see section titled "***Government and Other Approvals***" on page 161.

Awards/Qualifications. We have obtained the following ISO qualifications and awards with respect to the Rampur Project:

Awarding Organization	Award/Qualification	Date of award	Category
Bureau of Indian Standards	ISO 14001:2004	March 31, 2009	Environmental Management
Bureau of Indian Standards	ISO 18001:2007	March 31, 2009	Occupational Health & Safety Management Systems
Bureau of Indian Standards	ISO 14001:2004	March 31, 2009	Environmental Management Systems
TUV SUD Management Service GmbH	ISO 9001:2000	January 28, 2008	Quality Management Systems
Greentech Foundation	Environment Excellence Award (Silver)	October 12, 2009	Environmental Management
Greentech Foundation	Environment Excellence Award (Bronze)	2007	Environmental Management
Greentech Foundation	Environment Excellence Award (Bronze)	2006	Environmental Management

Projects under Development

The following table sets out a summary of our existing pipeline of projects which are currently in various stages of development or implementation:

Project	State/Country	Anticipated Installed Capacity	Status as of December 31, 2009
Luhri[(1)]	Himachal Pradesh, India	775 MW	Detailed project report submitted to the CEA on November 29, 2008. This was resubmitted on September 9, 2009 with further geological data as requested by the CEA.
Dhaulasidh[(2)]	Himachal Pradesh, India	50 MW[(3)]	Feasibility study report submitted to the state government of Himachal Pradesh on August 31, 2009.
Devsari	Uttarakhand, India	252 MW	Detailed project report submitted to the CEA on January 14, 2009. Further geological explorations currently being undertaken pursuant to comments received from the CEA on April 21, 2009.

Project	State/Country	Anticipated Installed Capacity	Status as of December 31, 2009
Naitwar Mori	Uttarakhand, India	60 MW(4)	Detailed project report submitted to the state government of Uttarakhand on July 17, 2008.
Jakhol Sankri	Uttarakhand, India	51 MW(4)	Detailed project report under preparation.
Arun-III	Nepal	900 MW	Feasibility study report submitted to the CEA on September 30, 2009.
Tipaimukh(5)	Manipur, India	1,500 MW	In negotiations with respect to the establishment of the joint venture company.
Total anticipated installed capacity		**3,588 MW**	

Notes:

(1) This project will be constructed by a special purpose vehicle to be established between our Company and the state of Himachal Pradesh, in which we have agreed to take a 51% equity interest and the state of Himachal Pradesh has agreed to take a 49% equity interest.

(2) Pursuant to the terms of the agreement awarding us the right to develop, construct, own and operate the Dhaulasidh Project, the state government of Himachal Pradesh will own a 49% interest in this project. The method by which this allocation will be achieved is currently under review by our Company.

(3) A revised feasibility study report has been prepared with respect to this project which revises the proposed installed capacity from the original 50 MW to 66 MW. This is currently under management review.

(4) Based on the letters of approval issued by the state government of Uttarakhand for each relevant project.

*(5) This project will be developed by a joint venture company to be established in which we have agreed to take a 26% equity interest, with NHPC Limited and the state of Manipur taking a 69% and 5% equity interest respectively. This project was originally awarded to the North Eastern Electric Power Corporation and is in the process of being transferred, pursuant to minutes of meeting dated July 6, 2009 of the MoP whereby it was determined by the Government that the project would be developed by the joint venture company to be established by NHPC Limited, the state of Manipur and our Company. See "**Risk Factors—Internal Risk Factors- Risks Relating to Our Business—Some projects which may have originally been awarded to us, may be transferred to other of our competitors by the Government or state governments**" on page xxii.*

Luhri Project. The proposed 775 MW Luhri Project is expected to be located on the Sutlej River, downstream from the Rampur Project, and is a run-of-the river project, with pondage for diurnal peaking. We signed a memorandum of understanding with the state government of Himachal Pradesh in connection with the Luhri Project in October 2008, and submitted the detailed project report for this project to the CEA in November 2008. Pursuant to the terms of the memorandum of understanding, the Luhri Project will be developed and operated by a joint venture company to be established, in which each of the Government (through the Company) and the state government of Himachal Pradesh (partly through the Company and partly itself) has agreed to take a 51% and 49% effective interest, respectively, to be effected through our Company and through direct issuances of shares in such joint venture company to the state government of Himachal Pradesh. We subsequently received comments from the CEA which requested that further geological investigations be conducted on the project site. We re-submitted the detailed project report, along with the requested information in September 2009. We commenced the land acquisition process for this project in April 2007.

Based on the detailed project report submitted to the CEA, when completed, the power station is expected to have a designed annual energy generation capacity of 3,117 MU in a 90% dependable year based on 95% plant availability. Based on certain assumptions and parameters as set forth in the detailed project report, we anticipate that the construction of the Luhri Project will take approximately 90 months from the date on which construction commences, at an estimated cost of approximately Rs. 47,950.00 million. As of December 31, 2009, we have incurred expenses of approximately Rs. 509 million in connection with the development of this project. We have not entered into any offtake or financing arrangements with respect to this project, although we are currently in discussions with the World Bank for the financing of the construction works on this project.

Under the memorandum of understanding awarding us the right to develop, own and operate the Luhri Project, we are required to establish a special purpose vehicle to develop, own and operate the Luhri Project within six months of the date of the memorandum, or by March 26, 2009. We have not established the special purpose vehicle relating to the Luhri Project as at the date of this Red Herring Prospectus. In addition, upon the conclusion of the Offer, we will not be able to comply with the provisions of the agreement for the Luhri Project which provide for equity in the project company to be held in the proportions 51:49. See "***Risk Factors—***

Internal Risk Factors- Risks Relating to Our Business—We may be in breach of certain of our obligations with respect to the Luhri Project" on page xv.

Dhaulasidh Project. The proposed 50 MW Dhaulasidh Project is expected to be located on the Beas river in the Hamirpur district of Himachal Pradesh, and is a run-of-the-river project. We signed a memorandum of understanding with the state government of Himachal Pradesh in connection with the Dhaulasidh Project in October 2008, and submitted a feasibility study report to the state government of Himachal Pradesh in August 2009. Under the terms of the agreement awarding us the right to develop, construct and operate the Dhaulasidh Project, the state government of Himachal Pradesh will own a 49% interest in this project. The method by which this allocation will be achieved is currently under consideration by our Company. We are currently in the process of preparing a revised feasibility study report for this project, to increase the estimated installed capacity from the original 50 MW to 66 MW, based on the results of surveys and investigations which have been carried out by us on the project site. We are also carrying out detailed investigations and drilling and drifting work on the project site in connection with our preparation of a detailed project report. We have identified the land required for the project, and are currently in the process of preparing documentation required for the land acquisition process.

Based on the feasibility study report submitted to the state of Himachal Pradesh for a 50 MW scheme, when completed, the power station is expected to have a designed annual energy generation capacity of 193 MU in a 90% dependable year based on 95% plant availability. Based on certain assumptions and parameters as set forth in the feasibility study report, we anticipate that the construction of the Dhaulasidh Project will take approximately 36 months from the date on which construction commences, at an estimated cost of approximately Rs. 4,034 million. As of December 31, 2009, we have incurred expenses of approximately Rs. 22.7 million in connection with the development of this project. We have not entered into any offtake or financing arrangements with respect to this project.

Devsari Project. The proposed 252 MW Devsari Project is expected to be located on the Pinder river in the Chamoli district of Uttarakhand, and is a run-of-the-river project with diurnal pondage. This was originally conceptualized as a 300 MW storage dam project, but was amended to the current scheme due to opposition from local communities. See "***Risk Factors—Internal Risk Factors- Risks Relating to Our Business—The development of hydroelectric power projects may be subject to unexpected complexities and delays, which may cause the actual timeframes of such project development to differ significantly from original estimates***" on page xxvii. In November 2005, we executed an implementation agreement with the Government of Uttarakhand in connection with the Devsari Project. We submitted a detailed project report to the CEA in January 2009. In April 2009, we received comments from the CEA which requested our Company to undertaken further geological investigations at the project site by the construction of exploratory drifts at dam abutments and the proposed powerhouse location. We are currently in the process of conducting these additional geological investigations. We have identified the land required for the project, and are currently in the process of preparing documentation required for the land acquisition process.

Based on the detailed project report submitted to the CEA, when completed, the power station is expected to have a designed annual energy generation capacity of 910.16 MU in a 90% dependable year based on 95% plant availability. Based on certain assumptions and parameters as set forth in the detailed project report, we anticipate that construction of the Devsari Project will take approximately 5 years from the date on which construction commences, at an estimated cost of approximately Rs. 13,408.60 million. As of December 31, 2009, we have incurred expenses of approximately Rs. 164.4 million in connection with the development of this project. We have not entered into any offtake or financing arrangements with respect to this project.

Naitwar Mori Project. The proposed 60 MW Naitwar Mori Project is expected to be located on the Tons river in Mori Tehsil, the Uttarkashi district of Uttarakhand, and will be a run-of-the-river project. In November 2005, we executed an implementation agreement with the state government of Uttarakhand in connection with the Naitwar Mori Project, and in July 2008, we submitted the detailed project report in connection with this project to the state government of Uttarakhand, which was approved in March 2010.

Based on the detailed project report approved by the state government of Uttarakhand, when completed, the power station is expected to have a designed annual energy generation capacity of 265.50 MU in a 90% dependable year based on 95% plant availability. Based on certain assumptions and parameters as set forth in the detailed project report, we anticipate that the construction of the Naitwar Mori Project will take approximately 48 months from the date on which construction commences, at a cost of approximately Rs. 4739.1 million. As of December 31, 2009, we have incurred expenses of approximately Rs. 98.3 million in connection with the development of this project. We have not entered into any offtake or financing arrangements with respect to this project.

Jakhol Sankri Project. The proposed 51 MW Jakhol Sankri Project is expected to be located on the Supin river in Purola Tehsil, the Uttarkashi district of Uttarakhand, and will be a run-of-the-river project. In November 2005, we executed an implementation agreement with the state government of Uttarakhand with respect to this project. In July 2007, the CEA approved the commercial viability of this project with an original capacity design of 33 MW. We subsequently changed the project layout as a result of environmental concerns since the original design would have required part of the project to be located within the boundaries of a wildlife sanctuary, and as a result of such changes, the proposed design capacity was increased from the original 33 MW to 51 MW. We are currently preparing the detailed project report to be submitted to the state government of Uttarakhand in connection with the project.

Based on our current estimates, upon completion, the power station is expected to have a designed annual energy generation capacity of 219.99 MU in a 90% dependable year based on 95% plant availability. Based on current project estimations, we anticipate that the construction of the Jakhol Sankhri Project will take approximately 42 months from the date on which construction commences, at an estimated project cost of Rs. 3,585.80 million. As of December 31, 2009, we have incurred expenses of approximately Rs. 8.3 million in connection with the development of this project. We have not entered into any offtake or financing arrangements with respect to this project.

Arun-III Project. The proposed 900 MW Arun-III Project is expected to be located on the Arun river in the Sankhuwasabha district of Nepal, and will be a run-of-the-river project. In March 2008, we executed a memorandum of understanding with the Nepalese government with respect to the Arun-III Project. Pursuant to the terms of the memorandum of understanding, we are required to complete our preconstruction works within 30 months of the issuance of the requisite survey licence by the Nepalese government, and to complete the construction and commissioning of the Arun-III project within 60 months of the issuance of the requisite generation license by the Nepalese government. We have submitted the feasibility study report for this project to the CEA in September 2009, and are in the process of preparing the detailed project report to be submitted in connection with this project.

Based on the feasibility study report submitted to the CEA, when completed, the power station is expected to have a designed annual energy generation capacity of 3,970.0 MU in a 90% dependable year based on 95% plant availability. Based on certain assumptions and parameters as set forth in the feasibility study report, we anticipate that construction of the Arun-III Project will take approximately five years from the date on which construction commences, at an estimated cost of approximately Rs. 44,600.0 million. As of December 31, 2009, we have incurred expenses of approximately Rs. 347.1 million in connection with the development of this project. We have not entered into any offtake or financing arrangements with respect to this project. In addition, pursuant to the terms of the memorandum of understanding with the Nepalese government, we are required to supply 21.9% of our annual power generation from the Arun-III Project to the Nepalese government free-of-cost.

Tipaimukh Project. The proposed 1500 MW Tipaimukh Project is expected to be located on the Barak river in the Churachandpur district of Manipur, and is a multipurpose storage hydropower project, which has also been designed to perform flood management functions. This project was originally awarded to the North Eastern Electric Power Corporation, or NEEPC, in July 1999, and the memorandum of understanding was executed between NEEPC and the state government of Manipur in connection with this project. Under minutes of meeting dated July 6, 2009 issued by the MoP, the MoP has agreed that the Tipaimukh Project will be handed over by the NEEPC to a joint venture company to be established by the state government of Manipur, NHPC Limited and ourselves, in which we have agreed to take a 26% equity interest, and NHPC Limited and the state government of Manipur have agreed to take a 69% and 5% equity interest, respectively. A list of the project assets and liabilities to be taken over by the joint venture company in connection with the Tipaimukh Project is currently being prepared by the NEEPC, and is subject to mutual agreement between the joint venture partners and the NEEPC. We are also currently in the midst of negotiating the memorandum of understanding with NHPC Limited and the state government of Manipur in connection with the establishment of the joint venture company. See "***Risk Factors—Internal Risk Factors- Risks Relating to Our Business—Some projects which may have originally been awarded to us, may be transferred to other of our competitors by the Government or state governments***" on page xxii.

Other Businesses

Power Transmission

In June 2009, we entered into a memorandum of agreement with Infrastructure Leasing & Financial Services Ltd, or ILFS, the Power Grid Corporation of India Limited, or PGCIL, and PTC Financial Services Ltd, or PTC, for the establishment of a joint venture to construct and maintain the Indian part of a transmission line connecting Nepal and India. Pursuant to the terms of the memorandum of agreement, we have agreed to take a 26% equity interest in the joint venture, with ILFS, PGCIL and PTC taking equity interests of 37%, 26% and 11%, respectively.

We are currently negotiating with each of the joint venture parties with respect to the terms which will govern the joint venture.

Project Advisory and Consultancy Services

We intend to leverage our experience in developing and constructing the NJHPS into developing a project advisory and consultancy service business. To this end, we have established a dedicated consultancy division for the purposes of providing advisory and consultancy services in the hydropower sector. In 2009, we were appointed by the Government to prepare detailed project reports with respect to two hydroelectric power projects which are proposed to be located in Bhutan, namely, the proposed 900 MW Wangchu Project, a storage scheme project which is expected to be located on the Wangchu river and the 486 MW Kholongchu Project, a run-of-the-river project which is expected to be located on the Kholongchu river. Upon the completion of the detailed project reports for these projects, we intend to request that the construction and operation of these projects be allocated to us.

We have also provided advisory and consultancy services to a railway corporation with respect to the design of railway tunnels and have carried out geological investigations in connection therewith. Going forward, we intend to expand our advisory and consultancy business to cater to corporations operating in the hydroelectric power, road/railway infrastructure and other related industry sectors to which our experience is applicable.

Environmental and Social Responsibility

We are committed to developing our hydroelectric power projects in a technologically efficient and environmentally and socially responsible manner, with the objective of minimizing the impact of our projects on the surrounding environment and communities.

Environmental compliance

We have adopted a biodiversity conservation policy in conjunction with our environmental management policies. Our environmental management activities are supervised by a separate environment department established for that purpose. Under our biodiversity conservation policy, we have committed to, among others, discharging our environmental obligations under national and state legislation and regulations, operating in an environmentally responsible manner so as to minimize the impact of our operations on the environment, taking into consideration environmental and community impact as an integral part of the decision-making process, developing and maintaining adaptive environment management mechanisms for the establishment and maintenance of environmental objectives, responding promptly and effectively to known significant environmental impacts arising from our operations, liaising closely with regulators, authorities and environmental organizations, educating and training our employees to conduct their activities in an environmentally responsible manner, and managing land within our control with due care.

In connection with our environmental management activities, we have adopted certain monitoring and supervision guidelines applicable to the project construction phase and the operational phase, respectively. We have also undertaken several initiatives with respect to the NJHPS and the Rampur Project, in line with our obligations under the approvals obtained by us from the Ministry of Forest and Environment. For example, we have undertaken the reforestation of approximately 342 hectares of degraded forest land at an aggregate cost of Rs. 32.0 million in connection with the NJHPS, allocated approximately Rs. 295.7 million for the management of the catchment area for the NJHPS and approximately Rs. 233.7 million for the Rampur Project, with the objective of preventing excessive silt build-up within the catchment area through measures such as afforestation, pasture development, soil stabilization and erosion and landslide protection works. As of December 31, 2009, we have also made provisions of approximately Rs. 385.5 million and Rs. 455.2 million for the NJHPS and the Rampur Project respectively, for the purposes of reclamation and rehabilitation for dumping areas, statutory environmental monitoring and independent third party environmental monitoring, as well as for sustenance and enhancement of fishery stocks in the affected areas.

We have also commissioned several environmental studies in compliance with our obligations under the approvals obtained by us from the Ministry of Forest and Environment, such as studies on the sustainable development of flora, fauna, ecological requirements and local community effects in connection with the diversion of the Sutlej River for the NJHPS, managed river flow studies for the Rampur Project, studies on terrestrial biodiversity for the Rampur Project and cumulative impact assessment studies in connection with the Rampur Project. We have also commissioned the preparation of a comprehensive catchment area treatment plan for the Sutlej territory from the Environment Information Centre. We have also engaged environmental consultants in connection with our environmental management activities.

In recognition of our efforts, we have obtained several awards for our environmental management activities, including awards from the Greentech Foundation and the Jawaharlal Nehru Memorial for environmental excellence and ecological implementation (in addition to awards obtained with respect to specific projects such as the NJHPS and the Rampur Project).

Resettlement and Rehabilitation

Our resettlement and rehabilitation policies aim to provide affected communities in our project areas with adequate rehabilitation packages beyond pure monetary compensation. This includes the active two-way participation of affected individuals with us in deciding their compensation packages, compensation for affected individuals who do not have legal or recognized rights over the land on which they depend for subsistence, continuity in livelihood options after resettlement, training and education programs for local communities, improving access to medical facilities and services, expeditious implementation of the rehabilitation process and taking into consideration special considerations for vulnerable sections of society.

We have adopted guidelines and policies with respect to the implementation of our resettlement and rehabilitation programs, and tailor each such program on a project-by-project basis, based on specific local requirements and customs and in consultation with affected individuals. While the government of the state in which the project is located is ultimately responsible for disbursing compensation to affected individuals, we also monitor the status of such disbursements in order to ensure that displaced or affected communities receive their entitlements in a timely manner. For example, in October 2007, we engaged third party consultants to ensure the timely disbursement of such entitlements to affected individuals. We also undertake direct initiatives aimed at benefiting local communities in the vicinity of our projects, and endeavor to involve them in our decision making process.

Examples of our ongoing local community initiatives include the following which were undertaken with respect to the NJHPS:

- The development of a 20-bed project hospital at Jhakri and medical dispensaries at Jeori and Nathpa villages;
- Free medical care, vaccination and immunization for all local villages in the project area;
- Monetary donations to the state hospital located at Rampur for improvements;
- Mobile health service for project affected villages located in Shimla and Kinnaur districts;
- Organization of veterinary, horticulture, agriculture and educational camps and programs for villagers;
- Distribution of agricultural and horticultural equipment to villagers and
- Establishment of a micro-assistance scheme whereby financial assistance of up to Rs. 20,000 per family is provided for the purposes of establishing business enterprises.

We have also undertaken measures to improve existing transportation infrastructure and facilities in the project area, as well as provided financial and other support for the improvement and construction of educational facilities. Our efforts in this regard have been monitored by the World Bank Mission on an ongoing basis as a condition of World Bank funding for the NJHPS, and we have received positive feedback from the World Bank Mission on our local community initiatives.

Competition

Based on information published by the CEA, as of November 30, 2009, the aggregate installed capacity of hydroelectric projects in India was approximately 36,878 MW, of which our installed capacity of 1500 MW at the NJHPS represented 4.06% of aggregate installed capacity in India. We believe that our major competitors in the hydroelectric energy sector are Government-linked enterprises such as NHPC Ltd and Bhakra Beas Management Board, state-owned electricity generation companies such as Maharashtra State Power Generation Co. Ltd, Andhra Pradesh Generation Company and Tehri Hydro Development Corporation Limited, and independent power producers such as Jaiprakash Power Ventures Limited. Due to the historical imbalance between demand and supply in the Indian power sector, there has generally been stable demand for power within India. However, the regulation of the power sector in India is evolving, with the sector being liberalised through statutory enactments such as the Electricity Act, 2003, which removes licensing requirements for thermal generators, provides for open access to transmission and distribution networks and removes restrictions on the right to build captive generation stations. These reforms provide opportunities for increased private sector involvement in power generation. Specifically, open access reforms, by which power generation companies will be able to sell their output directly to distribution companies, open access consumers, trading licensees and energy exchanges.

The Electricity Act 2003 did not affect the approval process and requirements for hydropower projects. However, we believe that the liberalization and open access initiatives for other power producers may lead to increased investment in electricity generation, and would have knock-on effects on competition in the hydroelectric sector with respect to electricity demand in the future.

Research and Development

Research and development is key to our continued success in engineering and construction. Our research and development activities are focused on anticipating our future needs and making us more competitive. We also seek to implement the latest technological advances and developments at our project sites. Our research and development activities are concentrated primarily on studies for elongation of operating life of underwater components, such as turbines, by mitigating silt erosion.

Clean Development Mechanism Scheme

We have applied for benefits with respect to the Rampur Project under the clean development mechanism, (CDM) scheme established pursuant to the hydro Protocol of the United Nations Framework Convention on Climate Change, or the UNFCC.

The CDM scheme is an arrangement under the Kyoto Protocol allowing industrialised countries with a greenhouse gas reduction commitment to invest in ventures that reduce emissions in developing countries as an alternative to more expensive emission reductions in their own countries. A crucial feature of an approved CDM carbon project is that it has established that the planned reductions would not occur without the additional incentive provided by emission reductions credits, a concept known as “additionality.”

The CDM allows net global greenhouse gas emissions to be reduced at a much lower global cost by financing emissions reduction projects in developing countries where costs are lower than in industrialized countries. With costs of emission reduction typically much lower in developing countries than in industrialised countries, industrialised countries can comply with their emission reduction targets at much lower cost by receiving credits for emissions reduced in developing countries as long as administration costs are low.

An industrialised country that wishes to get credits from a CDM project must obtain the consent of the developing country hosting the project that the project will contribute to sustainable development. Then, using methodologies approved by the CDM Executive Board, the industrialised country applicant must establish that the carbon project would not have happened anyway, and must establish a baseline estimating the future emissions in absence of the registered project. The application is then validated by a third party agency, called a designated operational entity, or a DOE, to ensure the project results in real, measurable, and long-term emission reductions. The CDM Executive Board then decides whether or not to approve and register the project.

If a project is registered and implemented, the CDM Executive Board issues credits to project participants, called certified emission reductions, or CERs. These are also commonly known as carbon credits, where each unit is equivalent to the reduction of one metric tonne of carbon dioxide or its equivalent. The number of credits issued in respect of a particular project is based on the monitored difference between the baseline and the actual emissions, as verified by the relevant DOE.

Our Company will be exploring potential carbon finance opportunities with respect to future developmental projects. We have also made an application for CERs in connection with the Rampur Project. We appointed Emergent Ventures to prepare the project design document in connection with this application, which was submitted in 2009 to the CDM Executive Board and in 2009 to the MoEF for the required host country approvals. Bureau Veritas Certification India Pvt. Ltd has been appointed as the DOE with respect to the Rampur Project application, and together with representatives of the Carbon Finance Unit of the World Bank, have inspected the project site and submitted a draft validation report.

Certain non-governmental organizations have opposed our application for CERS with respect to the Rampur Project. See "***Risk Factors—Internal Risk Factors- Risks Relating to Our Business—We may face opposition from local communities and other non-governmental organizations in connection with our construction and operation of hydroelectric power projects, which may delay or otherwise hinder the construction or development of such projects or negatively affect our corporate image***" on page xxix.

Human Resources

As of December 31, 2009, we had 1,801 full-time employees based at our Company's various projects and at our head and regional offices located in Shimla and Delhi, respectively. In addition, we also employ contract labourers at our power projects and the number of such contract labourers vary from time to time based on the nature and extent of work contracted to independent contractors.

The following table shows the function and number of our employees as of December 31, 2009:

Function	Number of Employees
Administration	143
Human resources	109
Legal	10
Information technology	21
Accounting and finance	90
Operations and maintenance	610
Others	818
Total	**1,801**

Our employees are organized into two unions and three associations, under two collective bargaining agreements. We have maintained good relationships with these unions and associations, and have not experienced any labour disruptions or strikes at our operations.

We have previously experienced shortages of skilled employees, such as engineers. See "***Risk Factors—Internal Risk Factors- Risks Relating to Our Business—We are dependent on our management team, skilled personnel and our ability to attract and retain such personnel***" on page xxxv. To address such shortages, we improved our recruitment drives and initiatives, for example, through increasing the number of training scholarships available to potential new employees. We also encourage continuing education of our executive staff and our operational and maintenance staff through conducting in-house training programs at our offices and project sites, as well as through off-site educational programs conducted by other educational institutions. We have also established an in-house training institute, the Hydropower Training Institute, Kotla, for the purposes of training newly recruited employees in engineering and other technical skills and practices, as well as for conducting in-house and other training programs for our existing employees. We intend to offer our employees comprehensive on-going training in order to raise their competence and quality with respect to hydropower operations, and to improve competencies in functional skills.

We have undertaken various initiatives to improve our relationships with our employees and to align their objectives with those of our Company, including through introducing comprehensive feedback systems, productivity enhancement incentives and schemes and performance management and evaluation systems. We have also introduced a gender equity initiative and competency mapping, and have implemented comprehensive staff welfare schemes, including employee health and social security schemes.

Health and Safety

We have implemented work safety measures and standards to ensure healthy and safe working conditions, equipment and work systems for all employees at the NJHPS and the Rampur Project. We have established a department for work safety and health measures which sets safety measures and standards in accordance with relevant safety laws and regulations in India, and overseas the implementation and compliance of these safety measures and standards.

We adopt fail-safe technology for all our plant, machinery and equipment which we believe to be in line with international standards of industrial safety. The NJHPS incorporates emergency shutdown and safety systems for the smooth and safe cessation of operations in abnormal conditions.

We believe in educating our operational staff about safety procedures. Our operational employees are required to undergo safety training and pass safety examinations. Our operational employees work in 3 shifts of 8 hours to oversee the operation of our equipment, which runs for 24 hours a day, 365 days a year.

Insurance

We require our contractors to obtain insurance during the construction phase, including third party insurance with respect to risks associated with assets and infrastructure that are ancillary to our projects during the construction phase, such as cargo, contractor all-risk, workers compensation, employers' liability and third party liability. We do not obtain insurance for risks which are required to be insured against by our contractors pursuant to their contractual obligations.

The terms of our existing financing also require that we obtain certain insurance, and the terms of any future financing may require similar insurance to be undertaken with respect to our operations or projects. The following table sets out the major insurance policies which we have obtained with respect to our operations (excluding insurance policies relating to our employees which are further described elsewhere in this Red Herring Prospectus):

Insurer	Type of Insurance	Insured Value		Assets covered	Validity Period
National Insurance Company Limited (lead insurer)	Industrial all risk policy	Section I (Material Damage) fire and special perils, burglary etc		NJHPS	April 1, 2010 to June 30, 2010
New India Assurance (co-insurer) Reliance General Insurance (co-insurer)		Rs. 45,350 million	All civil works of the NJHPS except excluded items		
		Rs. 2,230 million	Gates, hoist and other associated equipment of the NJHPS		
		Rs. 21,020 million	Plant and machinery and other foundation equipment, including all communication equipment at various locations		
		Rs. 20 million	Express air-freight		
		Rs. 20 million	Professional fees		
		Rs. 20,920 million	Machinery breakdown		
		Rs. 82,650 million	Terrorism cover		
		Rs. 14,050 million	Gross profit for FLOP		

Our insurance coverage may not be adequate to cover all risks relating to our operations. See "***Risk Factors—Internal Risk Factors- Risks Relating to Our Business—We may not have adequate insurance coverage***" on page xxxiii.

Properties and Fixed Assets

In addition to project land on which our projects are situated, we also own or lease several office properties in connection with our operations. Our registered and corporate office is located at Himfed Building, New Shimla, 171 009, Himachal Pradesh, India, which is a leasehold property. The following table sets forth details of our material office properties (other than project sites):

Address	Owned/Leased	Duration of Lease	Lease expiry date
Himfed Building, New Shimla, Himachal Pradesh	Leasehold	6 years	January 1, 2014
Ircon International Building, Plot C-4, District Centre Saket, New Delhi 110017	Leasehold	5 years	July 31, 2012

In addition to the above, we have also leased several properties in Shimla for use as offices and transit houses.

With respect to land acquired for our project sites from private parties or the Government, we may enter into private arrangements for the acquisition of such land, or may acquire such land pursuant to the terms of the Land Acquisition Act. Land acquired by us pursuant to the Land Acquisition Act is acquired upon payment of compensation which is determined by the Land Acquisitions Officer upon examination of the relevant land.

We may also enter into certain arrangements with the Government for the utilization of forest lands for our projects. If the project site includes land which is designated as forest land, we are required to submit applications to the Government pursuant to the provisions of the Forest (Conservation) Act 1980, through the relevant state forest department. We are not required to pay consideration for the use of such forest lands, but are required to abide by conditions imposed for such usage by the Government and pay certain compensation in connection with the reafforestation of the forest land and the net present value of such forest land. Conditions which may be imposed on us by the Government may require us to carry out reafforestation activities on equivalent non-forest area, or on degraded forest land, as identified by respective state governments. The costs of such rehabilitation and reafforestation are included as part of the total project costs for each project, and are generally eligible for recovery as permitted capital expenditures under the electricity tariff regime.

Intellectual Property

We do not presently own, nor have we registered, any intellectual property rights over our name and logo under the Trademark Act 1999, and consequently do not enjoy the rights accorded thereunder with respect to the usage of our name and logo. See "***Risk Factors—Internal Risk Factors- Risks Relating to Our Business—We have not registered our trademark or logos under the Trademark Act 1999***" on page xxix.

KEY MATERIAL CONTRACTS

A. Agreements

1. Agreement between our Company and the GoHP for the Rampur Project

We have entered into an agreement with the GoHP dated October 20, 2004 ("**Rampur Agreement**") for the purpose of building, owning, executing, implementing, operating and maintaining the Rampur Hydro Electric Project ("**Rampur Project**"), which has an indicative capacity of 400-500 MW and is located downstream of the NJHPS.

The key terms of the Rampur Agreement are disclosed below:

Equity funding for the Rampur Project: It has been agreed that the equity funding for the Rampur Project if required is to be contributed by the GoHP and GoI in the ratio of 30:70. Further, prior approval of GoI will be required, if the overall equity of GoHP in our Company exceeds 25% of overall equity.

Dividend sharing: The parties have agreed that the dividend shall be determined by the paid up equity shares of the GoHP and GoI in our Company.

Project execution:

- Board of our Company shall constitute a sub committee of the Board to look into issues like modalities for absorption, modalities to deal with surplus staff and future recruitment and to look into grievances/ appeals of employees relating to absorption of employees in the Company.

- A state level committee under the chairmanship of the Chief Secretary will be set up by GoHP to facilitate the execution of the Rampur Project.

- By the virtue of our Company being a central public sector undertaking, all instructions related to functional directors including appointments would be guided by Department of Public Enterprises, Public Enterprises Selection Board and Appointment Committee of the Cabinet Regulations.

Assignment: With the approval of the GoHP, we are permitted to assign or otherwise transfer our rights and benefits, or any portion of our rights or benefits, but not our obligations under the Rampur Agreement to any other person or entity for the purpose of arranging or re-arranging finance for the Rampur Project.

Sharing of Power: 12% of the energy generated from the Rampur Project, after excluding auxiliary consumption and transformation losses, will be provided to GoHP, free of cost, at the interconnection point of the power station with the Power Grid Corporation of India Limited ("**PGCIL**"). A further 1% will be supplied to a state-established local development fund for the purposes of providing a regular stream of revenue for income generation and welfare schemes, creation of additional infrastructure and common facilities on a sustained and continued basis over the life of the project. Further, in respect of the remaining 87% of the energy generated, the share of GoHP will be the lower of either 30% or the percentage determined on the basis of the actual paid up capital of GoHP in our Company.

Transmission of Power: In consultation with CEA, we are obliged to cause PGCIL to provide a suitable integrated transmission system, matching with the commissioning of the Rampur Project.

Land Acquisition:

- The GoHP has agreed to acquire the land for the construction, operation and maintenance of the Rampur Project, at the expense of our Company. We have the right to purchase land through private negotiations. The ownership of such land, purchased or acquired will vest in our Company.

- Further, GoHP will provide its land to the Company either on an ownership basis or on a long term basis (coterminous with the life of the Rampur Project) for the purpose of permanent structures/ works and the permanent colonies required for the construction, operation and maintenance of the Rampur Project at the rates as per the prescribed procedure.

- The GoHP will also lease its land to our Company on a short term basis if such land is required for temporary colonies and temporary structures for the construction of the Rampur Project. Such land will be leased initially for ten years and the same may be renewed by the GoHP at its discretion until such period as may be required by the Company on terms and conditions determined by the GoHP.

Obligations of Company with respect to the Environment: The Company *inter alia* has the following obligations: (i) to pay the forest department of the GoHP the price of the trees that are felled or damaged in the submergence area during the execution of the Rampur Project at prevailing government rates. However, the GoHP is responsible for the felling and removing of the trees and will hand over the net proceeds obtained from the sale of the trees to the Company; and (ii) we are required to comply with the conditions laid down by the GoI and the MoEF in their environment and forest clearance orders.

Resettlement and Rehabilitation: We are obligated to resettle and rehabilitate displaced persons in accordance with the scheme set forth in the Rampur Agreement.

2. Implementation Agreements between our Company and Government of Uttaranchal (now known as Government of Uttarakhand)

Our Company has entered into three separate implementation agreements all dated November 21, 2005 (collectively referred to as the "**Implementation Agreements**") with the Government of Uttaranchal (now known as Government of Uttarakhand) ("**GoU**") for the implementation of the following projects:

(i) Jakhol Sankri Hydro Electric Project situated on the river Supin, District Uttarkashi, Uttarakhand ("**Jakhol Sankri Project** "), with an indicative capacity of 33 MW;

(ii) Devsari Hydro Electric Project situated on the river Pindar, Chamoli District, Uttarakhand ("**Devsari Project**"), with an indicative capacity of 300 MW; and

(iii) Naitwar Mori Hydro Electric Project situated on the river Tons, Uttarkashi District, Uttarakhand ("**Naitwar Mori Project**") with an indicative capacity of 33 MW.

(Jakhol Sankri Project, Devsari Project and Naitwar Mori Project are collectively referred to as the "**Projects**")

The GoU has allocated the Projects to our Company on a build, operate, own and maintain basis, subject to techno economic viability and clearances from the MoEF and CEA. The Implementation Agreements will automatically be deemed to be void if clearance is not provided by the CEA. Further, any changes stipulated by the CEA or any other authority are required to be incorporated in the Projects and we are required to comply with the same.

The terms and conditions of the Implementation Agreements are similar and accordingly, their key terms are disclosed below:

Ownership of Projects: It has been agreed that the ownership of Projects will vest in our Company.

Obligations of our Company: Our Company *inter alia* has the following obligations: (i) to carry out the survey, investigation and prepare the detailed project report including catchment area treatment plan and EIA study for the Projects; (ii) to obtain all clearances, authorisations and approvals required for the implementation of the Projects. The GoU has agreed to provide necessary assistance in this regard.

Financing: We are responsible for arranging necessary finances for the Projects in a timely manner.

Resettlement and Rehabilitation: We are obligated to prepare and implement a scheme for the resettlement and rehabilitation of the displaced persons in accordance with the guidelines and approval of the GoU. The Company is required to ensure that the aforesaid scheme is not inferior to the National Policy on Rehabilitation and Resettlement, 2007.

Land Acquisition **:** Upon a specific request of the Company, the GoU is obligated to acquire the land for Projects in accordance with the provisions of the Land Acquisition Act.

*Sharing of Power***:** 12% of the energy generated from the Projects, after excluding auxiliary consumption and transformation losses, will be provided to the GoU. Further, the evacuation of power from the Projects will be done through the integrated transmission / evacuation system being planned / developed by the CEA / CTU / STU after consultation with NREB and GoU. The section of the lines to be constructed to evacuate power upto national grid point from the Projects is required to be mutually discussed and agreed between the Company and the Transmission Corporation of GoU.

Commissioning of the Projects: The Company is required to endeavour to commission the Projects prior to March 2012. Further, if the Company does not implement the Projects for any reason, it is required to hand over the project to the GoU on "as is where basis" along with all reports and documents, on mutually agreed terms and conditions.

Amended Capacities: By way of a Feasibility Study Report prepared by Lahmeyer International dated April 2009 the installation capacity of the Jakhol Sankri Project has been revised to 51 MW.

By way of a Feasibility Study Report prepared by Colenco Power Engineering Limited dated December 2008 the installation capacity of the Devsari Project has been revised to 252 MW.

By way of letter dated April 18, 2009 the GoU has approved the revision of the installation capacity of the Naitwar Mori Project to 60 MW.

3. Power Purchase Agreements for the NJHPS

Our company has entered into ten power purchase agreements ("**PPAs**"), for the offtake of power from NJHPS, with the beneficiaries in the Northern region as identified by the Government of India. The details of the PPAs are as follows:

(1) PPA dated July 29, 2003 entered into with Power Development Department, Government of Jammu and Kashmir;
(2) PPA dated February 28, 2003 entered into with Rajasthan Rajya Vidyut Prasaran Nigam Limited as amended on May 9, 2004 whereby the beneficiary was substituted by the distribution licensees of Rajasthan i.e. Ajmer Vidyut Prasaran Nigam Limited, Jaipur Vidyut Prasaran Nigam Limited, and Jodhpur Vidyut Prasaran Nigam Limited;
(3) PPA dated December 18, 2002 entered into with Engineering Department, Chandigarh Administration;
(4) PPA dated October 31, 2005 entered into with GoHP;
(5) PPA dated March 31, 2003 entered into with HPSEB;
(6) PPA dated October 24, 2002 entered into with PSEB;
(7) PPA dated December 22, 2005 entered into with Uttaranchal Power Corporation Limited;
(8) PPA dated January 14, 2003 entered into with Haryana Vidyut Prasaran Nigam Limited;
(9) PPA dated March 27, 2003 entered into with Delhi Transco Limited; and
(10) PPA dated April 19, 2004 entered into with Uttar Pradesh Power Corporation Limited.

Two of our PPAs, entered into with the Power Development Department of Jammu & Kashmir and the Uttar Pradesh Power Corporation Limited, respectively, have expired. The supply of power under these agreements continues on the same terms until such time as new agreements are entered into. See "***Risk Factors— Internal Risk Factors- Risks Relating to Our Business—Certain of our power purchase agreements have expired***" on page xxix.

The above parties are referred to as the "Bulk Power Customer" in their respective PPAs. The key terms of these PPAs are almost similar and are provided below:

Term: The term of our PPAs is 35 years with an exception of the PPA entered into with HPSEB which is for 40 years and the PPAs entered into with the Uttar Pradesh Power Corporation Limited and Power Development Department, Government of Jammu and Kashmir which are for a period of 5 years.

Share of power generated: The power generated at the NJHPS is shared in the following manner: (1) 12% of generated power is supplied free of cost to GoHP (2) 1% will be supplied to a state-established local development fund for the purposes of providing a regular stream of revenue for income generation and welfare schemes, creation of additional infrastructure and common facilities on a sustained and continued basis over the life of the project (3) 25% of the remaining 87% is allocated to GoHP in lieu of 25% cost sharing in NJHPS, and (4) remaining 66% of power generated is at the disposal of the GoI in lieu of 75% cost sharing in the NJHPS. The power allocated to the GoI is allocated to various states in the Northern region on the basis of the formula approved by the GoI in February 1985 as amended from time to time.

Tariff: The tariff of the power sold to the beneficiaries will be as determined by the CERC in accordance with the tariff regulations.

Payment, rebate and penalty: The payment of bills are to be made through a confirmed, revolving, irrevocable letter of credit to be established in favour of the Company for an amount equivalent to 105% of the average monthly billing of the preceding 12 months. If the bills are not paid by the Bulk Power Customer within a period of 60 days from the date of the billing, the Company has the option to regulate the supply of energy to such Bulk Power Customer in accordance with the directives / guidelines issued / to be issued by the GoI or CERC from time to time. The provision of surcharge and rebate shall be governed as per the notifications / directives / guidelines issued / to be issued by the GoI or CERC.

Other key provisions and dispute resolution:

- The generating units of the NJHPS are to be declared commercially operative by the Company in accordance with the guidelines of GoI, CEA or the CERC;

- The delivery point of the power generated is the 400 KV busbar or any other point designated at the NJHPS;

- Metering arrangements are to be governed by the notifications / guidelines issued by CERC and relevant provisions in Indian Electricity Grid Code; and

- All disputes arising out of or in connection with PPAs are to be settled through arbitration. Arbitration shall be done by a sole arbitrator, and in case of a disagreement on the appointment of an arbitrator, the Chairman, CEA, shall appoint the sole arbitrator. In the event the Chairman, CEA, fails to appoint such arbitrator, the arbitrator shall be appointed as per the provisions of the Arbitration and Conciliation Act, 1996 ("**Arbitration Act**"). The arbitration shall be conducted in accordance with the provisions of the Arbitration Act.

4. Agreement dated December 22, 2009 between the Department of Energy, Royal Government of Bhutan and the Company

An agreement has been entered between the Department of Energy of Royal Government of Bhutan ("**RGOB**") and the Company on December 22, 2009, for preparation of DPR for the Kholongchhu HEP in Bhutan ("**Agreement**") by the Company in accordance with the terms of the Agreement. Further, as per the Agreement, the RGOB has the right to unilaterally terminate the Agreement by giving not less than 60 days prior written notice.

5. Indemnity agreement dated April 6, 2009 between the Company and Power Grid Corporation of India Limited

An agreement dated April 6, 2009, was entered into between the Company and PGCIL on April 6, 2009 ("**Indemnity Agreement**"). As per the terms of the Indemnity Agreement, PGCIL is responsible for setting up associated transmission system ("**ATS**") for evacuation of power from the hydro electric projects to be commissioned by the Company. In order to ensure that the hydro electric projects and the ATS are commissioned simultaneously, the Company and PGCIL have agreed that in the event that PGCIL or the Company default in the completion of the ATS or the construction of the projects respectively as per the schedule, then the defaulting party shall indemnify the non defaulting party to the extent of damages incurred by the non defaulting party due to delay in commissioning by the defaulting party.

For associated risk, see section titled "***Risk Factors***" on page xiii.

B. Memorandums of Understanding and Memorandum of Agreement

1. Memorandum of understanding between our Company and the GoHP for the Dhaulasidh Project

The GoHP and our Company have entered into a memorandum of understanding dated October 27, 2008 ("**Dhaulasidh MoU**") for the purpose of building, owning, executing, implementing, operating and maintaining the Dhaulasidh Hydro Electric Project ("**Dhaulasidh Project**"). The Dhaulasidh Project has an indicative capacity of 50 MW and is located in on river Beas, Hamirpur District in the state of Himachal Pradesh.

The key terms of the Dhaulasidh MoU are disclosed below:

Equity funding for the Dhaulasidh Project: The equity funds for the Dhaulasidh Project will be contributed in the ratio of 51:49 by the GoI (through the Company) and GoHP (through the Company and individually) respectively. To achieve the same, funding will be provided by the Company from its internal accruals from the NJHPS and the differential amount will be subscribed and paid by GoHP, so as to bring the overall equity contribution of GoHP in Dhaulasidh Project up to 49%.

Financing for the Dhaulasidh Project: The Company is responsible for arranging necessary finances for the implementation of the Dhaulasidh Project through loans, debentures, its own income from other projects or such other sources that may be available.

Power generated from the Dhaulasidh Project:

- The Company will provide 12% of the energy generated from the Dhaulasidh Project (excluding auxiliary consumption and transformation losses), to GoHP, free of cost at the interconnection point of the power station with the PGCIL system (“**12% Share**”).
- Of the remaining 88% of the energy generated at the bus bar of the Dhaulasidh Project, the share of GoHP will be the lower of either 49% or the percentage determined on the basis of the actual paid up capital of the GoHP in the Company.
- Further 15% of 51% of the saleable energy which is available with MoP, GoI as unallocated power during the winter months i.e. from October to March, will be allocated as additional power to GoHP every year at the bus bar rate for exclusive consumption in the state of Himachal Pradesh and will not be available for sale.
- Further, the Company is obligated to provide and earmark an additional 1% of the power generated from the Dhaulasidh Project free of cost for the local area development fund which will be utilized for welfare schemes, creation of additional infrastructure and common facilities etc on a sustained and continued basis over the life of the Dhaulasidh Project.
- The GoHP may also provide 1% power from their 12% Share towards such corpus which will be operated by a standing committee headed by an officer not lower than a deputy commissioner to be designated by GoHP.
- Further, the Company has agreed to provide 100 units of electricity per month to each project affected family for a period of 10 years from the date of commissioning of the Dhaulasidh Project.

Resettlement and Rehabilitation: The Company is obligated to prepare and implement a scheme for the resettlement and rehabilitation of the displaced persons in accordance with the guidelines of the GoHP. The Company is required to ensure that the aforesaid scheme is not inferior to the National Policy on Rehabilitation and Resettlement, 2007.

Implementation Agreement: The parties have agreed that the detailed terms and conditions of the implementation agreement will be formulated with the mutual agreement of the GoHP and the Company after formal constitution and effective operationalisation of the special purpose vehicle, if required.

2. Memorandum of understanding between GoHP and the Company for the Luhri Project

We have entered into a memorandum of understanding with the GoHP ("**Luhri MoU**") dated October 27, 2008 ("**Effective Date**") for the purpose of building, owning, executing, implementing, operating and maintaining the Luhri Hydro Electric Project ("**Luhri Project**"), with an indicative capacity of 775 MW located downstream of the Rampur Project, through a special purpose vehicle ("**Luhri SPV**"). The Company has agreed to take steps to set up the Luhri Project, until the incorporation of the Luhri SPV.

The terms and conditions of the Luhri MoU are similar to that of the Dhaulasidh MoU. For details see section titled "**Key *Material Contracts***" on page 79. However, there are some additional terms which are different and have been set out below:

Incorporation of the Luhri SPV: The Company is required to incorporate the Luhri SPV which will be a subsidiary of the Company. The shareholding of the Luhri SPV will be held by the GoI (through the Company) and GoHP (partly through the Company and partly directly itself) in the ratio of 51:49 respectively. The Luhri SPV was required to be incorporated within six months from the Effective Date. As on date of the Red Herring Prospectus, the Luhri SPV has not been incorporated. For associated risks, see section titled "***Risk Factors—Internal Risk Factors—Risks Relating to Our Business—We may be in breach of certain of our obligations with respect to the Luhri Project***" on page xv.

Funding of the Luhri SPV: To achieve the aforesaid equity proportion, the Company has agreed to fund the equity for the Luhri SPV from its internal accruals from the NJHPS and the differential amount will be subscribed and paid by the GoHP, so as to bring the overall equity contribution of GoHP in Luhri Project up to 49%.

Purpose of the Luhri SPV: The purpose of the Luhri SPV is to build, own, execute, implement, operate and maintain the Luhri Project and other such projects which may be allocated to the Luhri SPV by the GoHP.

3. Memorandum of Understanding with the Government of Nepal

The Government of Nepal ("**GoN**"), through its Ministry of Water Resources ("**MoWR**"), and our Company have on March 2, 2008 entered into a memorandum of understanding for the development of the Arun-III Hydro Power Project ('**Arun-III Project**') on a build, operate, own and transfer basis ("**MoU**"). The estimated installed capacity of Arun III Project is a minimum of 900 MW.

The key terms of the MoU are set out below:

Land and other information: The Company will be provided with all reports, information, documents and the land acquired for the purpose of the construction of the Arun III Project from the Nepal Electricity Authority ('**NEA**').

Free power: In addition to the royalty and export tax (other than on free power and energy) applicable pursuant to the "(Nepalese) Hydropower Development Policy 2001" and "(Nepalese) Electricity Act 2049" (as published in Nepal Gazette in 1992) the Company will provide 21.9% of monthly generated power and energy from the Arun III Project, net of auxiliary consumption and transformation losses, measured at bus-bar, free of cost to the GoN from the date of commercial generation.

Licenses and other approvals:

- On an application made by the Company, the GoN will grant a survey license to the Company which shall remain valid for a period of 30 months from the date of issuance.

- The Company will apply for the generation and transmission license along with relevant power purchase agreement(s), approved environmental impact assessment study, financial commitments, etc., within the validity period of the survey license in accordance with the "(Nepalese) Electricity Act, 2049" (as published in Nepal Gazette in 1992) and "(Nepalese) Electricity Regulations, 2050" (as published in the Nepal Gazette in 1993).

- The GoN has agreed to grant the license for generation and transmission of electricity to the Company for a period of 30 years from the date of issuance of such license on a build, own, operate and transfer basis. At the end of such period, the project will be handed over by the Company to the GoN, free of cost in a good running condition.

- In the event the Company does not apply for the generation license or fails to meet the requirements for grant of generation license, all documents, reports etc. submitted to MoWR shall remain as the property of GoN as per (Nepalese) Hydropower Development Policy, 2001.

- GoN has agreed to facilitate all clearances and approvals required for the Arun-III Project and extend all privileges and facilities to the Company under the "(Nepalese) Electricity Act, 2049" (as published in Nepal Gazette in 1992), "(Nepalese) Electricity Regulations, 2050" (as published in the Nepal Gazette in 1993) and other prevailing laws of Nepal.

Environment impact assessment: The Company will carry out the environmental impact assessment of the Arun-III Project in accordance with the "(Nepalese) Environment Protection Act, 2053" (as published in the Nepal Gazette in 1997), "(Nepalese) Environment Protection Rules, 2054" (as published in the Nepal Gazette in 1997) and other internationally accepted practices as an integral part of detailed engineering report.

Completion of the project: The Company is responsible for the completion of the construction work within 60 months from the date of financial closure to the commissioning of the project.

Indemnity: In so far as the Company is responsible for the Arun- III Project, the Company has agreed to indemnify GoN in respect of all claims, proceedings, costs and damages arising out of or in relation to any such matter.

Time of essence: Time is of essence and failure to accomplish the assignments prescribed in the MoU within the stipulated time limit for reasons other than force majeure shall render the MoU null and void.

Assignability: The Company shall not assign its obligations under the MoU without prior approval of the GoN. The transfer of survey license shall not be allowed during its validity period.

Amended Capacity: By a letter dated January 8th 2010, the CEA has approved the revision of the installation capacity of the Arun III Project to 900 MW.

4. Memorandum of agreement with the IL&FS Energy Development Company Limited

The Company has been allocated the development of Arun- III project in Nepal and the bulk of the power generated by Arun-III Project is envisaged to be exported to India. For such transmission of power to India, the Company requires stable cross-border transmission interconnection for evacuation of power. Amongst other efforts being made by the Company for setting up such cross-border transmission interconnection, , the Company has entered into a memorandum of agreement with IL&FS dated June 25, 2009 ("**Effective Date**") for recording the intent of Company to subscribe to the equity of Cross Border Power Transmission Company Private Limited ("**CPTC**") and the steps intended to be taken by the parties to set up cross border transmission lines for evacuation of power ("**MoA**"). The CPTC was incorporated on December 19, 2006 for implementation of the Indian side of the transmission line for transmission of power from Nepal to India. As on June 25, 2009, 100% of the equity of CPTC was held by IL&FS Infrastructure Development Corporation ("**IL&FS IDC**") with a provision to disinvest its equity to the extent of 26% to NEA. Further the Power Grid Corporation of India Limited ("**PGCIL**") and PTC Financial Services have agreed, in principle, to subscribe to the equity of CPTC to the extent of 26% and 11% respectively.

The key terms of the MoA are set out below:

Equity contribution: The Company has consented, in-principle to subscribe up to 26% of the equity of CPTC on the terms and conditions similar to those agreed with PGCIL and PTC Financial Services for their respective subscription to the equity in CPTC.

Steps for disinvestment: In order to give effect to the aforesaid equity contribution, the parties have agreed and confirmed to take steps towards ensuring the requisite disinvestment of equity shares of CPTC by IL&FS IDC (presently holding 100% of CPTC's equity shares) in commensuration with and to the extent the Company's subscription is accepted and subscribed by the Company at par.

Terms of the joint development agreement: Parties have agreed and confirmed to execute a joint development agreement and other similar agreements with Power Grid Corporation of India Limited, as may be required, to formally record the understanding, conditions and framework in this regard and for the development of the Indo-Nepal transmission project.

Subscription to equity of PTCN: The parties have agreed to explore the possibilities of Company's subscription to equity capital of Power Transmission Company Nepal Limited ("**PTCN**") which was incorporated on September 16, 2007 for implementation of the Nepal side of transmission line. The equity of PTCN as on June 25, 2009, was held in the ratio of 50:50 by IL&FS IDC and NEA with a provision that IL&FS IDC will disinvest 24% equity to the banks and financial institutions of Nepal.

Availment of resources: The parties have agreed to explore the possibilities of availing the professional resources, expertise and services of IL&FS and the Company for achievement of financial closure of projects in Nepal and Bhutan.

Validity: This MoA is valid for an initial period of two years from the Effective Date unless mutually extended by the parties or terminated by a party with a prior written notice of at least 30 days.

5. Memorandum of Understanding dated March 15, 2010 between the Ministry of Power and the Company

The Company and the Government of India enter into a memorandum of understanding ("**MoU**") every year. For the year 2010-2011, such MoU was entered on March 15, 2010.

The MoU sets out certain performance targets to be achieved by the Company. Such performance targets *inter alia* include parameters like net profit, net worth, gross sales, gross margin, construction milestones for pipeline projects, gross energy generation, recovery of current dues etc. to be achieved by the Company.

The MoU mentions five categories of ratings for performance evaluation. These are "Excellent", "Very Good", "Good", "Average" and "Poor". Against each of these categories, there are different performance targets to be achieved by the Company to fall under any of these categories.

Further as per the terms of the MoU, the GOI has the following obligations:

1. to delegate to the Company, all necessary powers as per guidelines/ instructions issued from time to time to similar corporations;
2. to assist the Company in recovery of dues from SEBs and other beneficiaries who default in payment or have not opened letter of credit of adequate amount in favour of the Company;
3. to take up the revision of pay scales of the employees of the Company with effect from January 1, 2007;
4. to expedite the clearance from Ministry of Environment and Forests for the projects undertaken by the Company to avoid delays in timely execution of the projects;
5. to assist the Company in obtaining more projects in India and abroad; and
6. to support the Company through the state governments for safety of the Company's personnel and the hydro power equipments.

Further as per the Office Memorandum no. 2 (70)/08-DPE(WC) dated November 26, 2008, from the DPE, the performance related pay payable to the employees is directly linked to the performance of the Company under the MoU.

For associated risk, see section titled "***Risk Factors***" on page xiii.

REGULATIONS AND POLICIES IN INDIA

The following description is a summary of certain sector specific laws and regulations in India, which are applicable to the Company. The information detailed in this chapter has been obtained from publications available in the public domain. The regulations and policies mentioned below may not be exhaustive, and are only intended to provide general information to the investors and are neither designed nor intended to substitute for professional legal advice.

The Power Sector

"Electricity" falls within the Concurrent List of the Seventh Schedule to the Constitution of India. Therefore, both the Parliament of India ("**Parliament**") and the State legislatures have the power to enact a law governing electricity sector, provided that a State enactment does not conflict with any Central enactment on electricity.

The Electricity Act, 2003 ("Electricity Act")

The Electricity Act was enacted by the Parliament to consolidate the laws relating to generation, transmission, and distribution of electricity. The Electricity Act also introduced 'trading' in electricity as a licensed activity in the sector. It focused on the development of the electricity industry, promoting competition therein, protecting interest of consumers, rationalisation of the electricity tariff, and ensuring transparency in tariff with respect to subsidies granted by the governments. The Electricity Act repealed the Indian Electricity Act, 1910 (which governed the transmission, supply and use of electricity), the Electricity (Supply) Act (which constituted statutory bodies at the central, regional and state levels to govern generation, transmission and distribution of electricity) and the Electricity Regulatory Commissions Act, 1998 (which constituted the Central and gave an option to the State governments to constitute a State Electricity Regulatory Commission in their respective states). The Electricity Act came into force on June 10, 2003 and apply to the whole of India excluding the State of Jammu and Kashmir. In addition, it was notified that State enactments be applicable in the respective States to the extent such enactments are not inconsistent with the provisions of the Electricity Act. The GoI amended certain provisions of the Electricity Act on December 30, 2003 and thereafter in June 15, 2007.

Authorities under the Electricity Act

Central Electricity Authority

The CEA was constituted under the repealed Electricity (Supply) Act, 1948 and its powers and functions were amended under the Electricity Act. Under the Electricity Act, the concurrence of the CEA is required for setting up of a hydro power project where the scheme for the project is estimated to involve a capital expenditure exceeding such sum, as is fixed by the Central Government from time to time. The CEA consists of members appointed by the GoI and it acts as an advisor to the Central Government on matters relating to the national electricity policy, formulates plans for development and co-ordinates with planning agencies for optimal usage of resources. The CEA also specifies technical standards and safety requirements for electrical plants, lines and grids.

Electricity Regulatory Commissions

The Electricity Act provides the functions and powers of CERC and a State Electricity Regulatory Commission ("**SERC**") for each State. The CERC was originally constituted under the repealed Electricity Regulatory Commissions Act, 1998 ("**ERC Act**"), and the ERC Act provided the State governments with an option to set up a SERC in their respective states. However, the Electricity Act made it mandatory for every state to constitute a SERC in its State. The CERC's functions include regulation of tariff of power generating companies owned or controlled by the Central Government and tariff of power generating companies other than those owned or controlled by the Central Government, if such generating companies have a composite scheme for generation and sale of electricity in more than one State and of inter-State transmission of electricity; determination of tariff for inter-State transmission of electricity; issuance of licenses to entities for transmission and trading with respect to their inter-State operations; adjudication of disputes involving generating companies or transmission licensees regarding matters under the Electricity Act; power to refer any dispute for arbitration; levy of fees for purposes of the Electricity Act; specifying the Indian Electricity Grid Code ("**IEGC**") with regard to the Grid Standards; specifying and enforcing standards with respect to quality, continuity and reliability of service by licensees; and fixation of the trading margin in inter-State trading of electricity, if considered necessary. CERC also performs certain advisory functions like advising the Central Government on formulation of the National Electricity Policy and Tariff Policy. The SERCs functions as specified under the Electricity Act, specifying or enforcing standards with respect to quality, continuity and reliability of service by licensees and to fix the trading margin in intra-State trading of electricity, if considered necessary. The Electricity Act also provides for establishment of a Joint Commission by agreement between two or more State governments or by the Central Government in respect of a Union Territory and one or more State governments. The appropriate commissions are, in connection with any inquiry or proceedings under the Electricity Act, vested with powers of a civil court and all proceedings before the appropriate commission are deemed to be judicial proceedings within the meaning of the Indian Penal Code.

Central Government and each State government are required to each constitute a Coordination Forum consisting of the chairperson and members of the CERC or SERC, as the case may be, the Chairperson of the CEA in case of the Forum being constituted by the Central Government, representatives of generating companies and transmission licensees engaged in transmission of electricity (inter-State in case of CERC and within the State in case of a SERC). The Central Government is required to also constitute a forum of regulators consisting of the chairpersons of the CERC and SERCs. The chairperson of the CERC is the chairperson of the forum of regulators. The CERC and SERCs may establish a Central or State Advisory Committee, respectively, appointing the chairperson of the CERC, or SERC, as the case may be, being the chairperson of such Advisory Committee. The objects of such Advisory Committee will be to advise the appropriate commission on policy, matters relating to quality, continuity and extent of service provided by the licensees; compliance by licensees with the conditions of their licence; protection of consumer interest; electricity supply and standards of performance by utilities.

The Electricity Act also provides for establishment of an Appellate Tribunal for Electricity vested with the powers of a civil court to settle appeals against the order of an adjudicating officer or appropriate commission under the Electricity Act. Any person aggrieved by a decision of the Appellate Tribunal for Electricity may file an appeal to the Supreme Court. All proceedings before the Appellate Tribunal for Electricity are deemed judicial proceedings within the meaning of the Indian Penal Code. The Appellate Tribunal commenced functioning and hearing appeals from July 21, 2005.

Generation of Electricity

Under the Electricity Act, a generating company is permitted to establish, operate and maintain a generating station provided it complies with the technical standards stipulated under the Electricity Act relating to connectivity with the grid. There is no licensing requirement for the same. However, a generating company intending to establish a hydro generating station is required to submit a scheme along with capital expenditure estimates to the CEA for concurrence, when such scheme exceeds Rs. 25 billion, provided the scheme conforms to the capacity and type mentioned in the National Electricity Plan and the site has been allocated through a transparent process of bidding in accordance with the guidelines issued by the Central Government. Any scheme not covered by the above conditions is required to be submitted to the CEA if the capital expenditure estimates of the generating company exceed Rs. 5 billion. A DPR is required to be submitted in accordance with the Guidelines for Formulation of Detailed Project Reports for Hydro Electric Schemes, their Acceptance and Examination for Concurrence, 2007, notified by the CEA. The CEA, before concurring in any scheme submitted to it by such generating company, shall consider whether such scheme would prejudice prospects for development of the river or its tributaries for purposes including power generation, requirements of drinking water, irrigation, navigation, flood-control, or other public purposes, and also whether such scheme meets the norms on dam design and safety.

A generating company is permitted to supply electricity to any licensee (except transmission licensee) or directly to consumers who have availed open access, subject to regulations made under the Electricity Act. A generating company is required to establish, operate and maintain generating stations and may also set up tie-lines, sub-stations and dedicated transmission lines in accordance with the provisions of the Electricity Act and the rules or regulations made thereunder. In this regard, a generating company has to comply with the technical standards for operation and maintenance of transmission lines stipulated in the Grid Standards issued by the CEA under the Electricity Act; submit technical details regarding its generating stations to the appropriate commission and the CEA; and coordinate with the relevant Central or State transmission utility for transmission of electricity generated by it.

The appropriate electricity regulatory commission may issue such directions as it considers appropriate to a generating company if such generating company enters into any agreement, abuses its dominant position or enters into a combination which is likely to cause or causes an adverse effect on competition in electricity industry. Further, the Central and State governments are empowered under the Electricity Act to direct the operation and maintenance of power generating stations in the event of a security threat to the State, a natural calamity or any other extraordinary circumstances. The Central Government has the power to make rules in order to carry out the provisions of the Electricity Act and has the authority to prepare the National Electricity Policy and the Tariff Policy and modify the same from time to time. In exercise of such powers, the Central Government has issued the National Electricity Policy on February 12, 2005 and the Tariff Policy on January 6, 2006.

The Electricty Act provides for a clear demarcation between the powers and functions of the statutory bodies created by it and also of the authorities it encompasses. The Central and State governments may make rules for carrying out the provisions of the Electricity Act. The CEA may make regulations consistent with the Electricity Act and the rules generally to carry out the provisions of the Electricity Act, including in respect of the Grid Standards; measures relating to safety and electric supply; installation and operation of meters; procedure for transaction of business; technical standards for construction of electrical plants and electric lines and connectivity to the grid; form and manner in which and the time at which the State government and licensees shall furnish statistics, returns or other information. The CERC and SERCs are also empowered to may make regulations under the Electricity Act to carry out the provisions of the Electricity Act, including in respect of the IEGC; levy and collection of fees and charge from generating companies or transmission utilities or licensees; rates, charges and conditions in respect of intervening transmission facilities; reduction and elimination of surcharge and cross subsidies under the Electricity Act; conditions for determination of tariff; details to be furnished by licensee or generating company; procedures for calculating expected revenue from tariff and charges.

Failure to comply with an order or direction under the Electricity Act, within the time specified in the said order or direction, or contravention or attempts or abets contravention of any provision of the Electricity Act or rules or regulations made thereunder, will be punishable with imprisonment which may extend to three months or with fine which may extend to Rs. 1 million or with both in respect of each offence and in the case of a continuing failure, with additional fine which may extend to Rs. 5,000 for every day during which the failure continues after conviction for the first such offence. In case a complaint is filed before the appropriate commission by any person or if such commission is satisfied that any person has contravened any provision of the Electricity Act or rules or regulations made thereunder or any direction issued by such commission, the appropriate commission may after giving such person an opportunity of being heard, direct that, without prejudice to any other penalty to which he may be liable under the Electricity Act, such person shall pay a penalty which shall not exceed Rs. 1million for each contravention and in case of a continuing failure, an additional penalty which may extend to Rs. 6,000 for every day the failure continues after the first such contravention. Any penalty payable under the Electricity Act, if not paid, may be recovered as if it were an arrear of land revenue.

Under the Electricity Act, if a State government requires grant of a subsidy to any consumer or class of consumers in the tariff determined by the SERC under the Electricity Act, such State government shall pay in advance, in the manner specified by the SERC, the amount to compensate the person affected by the grant of such subsidy or any other person concerned, to enable the such person to implement the subsidy provided by the State government.

Development of hydropower projects and power sharing formula

The MoP, by a notification dated June 8, 2001, has prescribed a three-stage procedure regarding the development of hydropower projects by public sector undertakings. The notification prescribes the key activities that are required to be performed at each stage and the time period for the completion of such key activities. Details of the activities to be undertaken during the three stages are set forth below:

(a) **Stage-I:** Any hydropower generation company proposing to set up a hydropower station is required to approach the MoP for sanction of the proposed project. The MoP shall sanction expenditure of up to Rs. 100 million on survey, investigation and preparation of the pre-feasibility report, subject to the same appearing in the five year plan. If the expenditure for the proposed project exceeds Rs. 100 million, it requires sanction by the PIB;

(b) **Stage-II:** involves preparation of the DPR, pre-construction works, development of infrastructure and land acquisition. In the event estimated cumulative expenditure for Stages I and II exceeds Rs. 100 million, the same shall be considered by the PIB. Proposals of over Rs. 200 million will be considered by the Ministry of Finance and those involving over Rs. 500 million require the approval of the CCEA;

(c) **Stage-III**: the approval of PIB/CCEA would be required in respect of the construction of the project. These approvals would be sought after the environment and forests clearances have been obtained from MoEF and TEC from the CEA.

In addition, the MoP by its notification dated November 1, 1990 has prescribed the formula for sharing of power and benefits from all central sector hydroelectric projects commissioned after September 7, 1990. The salient features of the notification are set forth below:

(a) 15% of the generation capacity will be kept as 'unallocated' with the GoI for distribution within the region or outside, depending on overall requirements;

(b) 12% of the energy generated will be supplied free of cost to the concerned State where distress is caused by the setting up of the project; and

(c) The remaining 73% is distributed between the States in the region on the basis of Central plan assistance given to various States in the region during the last five years and on the basis of consumption of electricity in the States in the region in the last five years, the two factors being given equal weightage.

The National Electricity Policy, 2005 ("NEP")

The NEP was prepared under the Electricity Act by the Government and came into effect on February 12, 2005, in consultation with the CEA and the respective State governments, in order to accelerate development in the power sector by introducing provisions to provide supply of electricity to all areas and to protect interests of consumers and other stakeholders, keeping in view availability of energy resources, technology available to exploit such resources, economics of generation using different resources and energy security issues. The salient features of this policy are as stated below:

- providing access to electricity to all households in India within the next five years, including through creation of a 'Rural Electrification Distribution Backbone';
- fully meeting India's power demand by 2012, by overcoming energy and peaking shortages and making available adequate spinning reserve;
- per capita availability of electricity to be increased to over 1,000 units by 2012;
- minimum lifeline consumption of one unit/household/day as a merit good by year 2012;
- progressive reduction in surcharge in line with progressive reduction in cross-subsidies and reduction in tariffs charged by SERCs;
- supply of reliable and quality power of specified standards in an efficient manner and at reasonable rates;
- financial turnaround and commercial viability of the electricity sector; and
- protection of consumer's interest.

National Electricity Policy seeks full development of hydro potential. Choice of fuel for thermal generation is to be based on economics of generation and supply of electricity. Exploitation of non-conventional energy sources such as small hydro, solar, biomass and wind for additional power generation capacity is also envisaged. Development of National Grid is an important feature of the National Electricity Policy. National Electricity Policy recognizes the need for ensuring recovery of cost of service from consumers to make the power sector sustainable. The existing cross-subsidies for other categories of consumers need to be reduced progressively and gradually. National Electricity Policy recognizes that a minimum level of support is required to make the electricity affordable for consumers of very poor category. Consumers below poverty line who consume below a specified level, say 30 units per month may receive special support in terms of tariff which are cross-subsidized. Efforts would be made to ensure that the subsidies reach the targeted beneficiaries in the most transparent and efficient way.

The National Electricity Policy lays special emphasis on time bound reduction of transmission and distribution losses and advocates promotion of competition aimed at consumer benefits. National Electricity Policy estimates that to meet the objective of rapid economic growth and power for all including household electrification, an investment of the order of INR 9 trillion would be required to finance generation, transmission, sub-transmission, distribution and rural electrification projects upto the year 2012. Public sector investments, both at the Central Government and state governments, will have to be stepped up and a sizeable part of the investments will need to be brought in from the private sector. Public service obligations like increasing access to electricity to rural households and small and marginal farmers have highest priority over public finances. Private sector has various options for investments. To attract adequate private investments in power sector, return on investment will need to be provided at par with, if not preference to, investment opportunities in other sectors. Appropriate balance will be maintained between the interest of the consumers and the needs for investment.

Open access in transmission will promote competition and in turn lead to availability of cheaper power. National Electricity Policy emphasizes that the CERC and SERCs need to provide facilitative framework for non-discriminatory open access at the earliest including technological upgradation of the State Load Dispatch Centres by June 2006 to ensure data acquisition capability on a real time basis.

Open access to distribution networks, initially for bulk consumers, would increase the availability of cheaper and reliable power supply. SERCs have been mandated to notify regulations by June 2005 for laying down the road map for introducing open access in distribution. It has also been envisaged that the amount of cross-subsidy surcharge and additional surcharge to be levied from consumers who are permitted open access should not become so onerous that it eliminates competition.

National Electricity Policy stipulates that SERCs should regulate utilities based on pre-determined indices on quality of power supply. Parameters should include frequency and duration of interruption, voltage parameters, harmonics, transformer failure rates, waiting time for restoration of supply, percentage defective meters and waiting list of new connections. SERCs would specify expected standards of performance. National Electricity Policy emphasizes that the Central Government, state governments and Appropriate ERCs will facilitate capacity building of consumer groups and their effective representation before the Appropriate ERCs. This will enhance the efficacy of regulatory process.

The Tariff Policy, 2006

The Tariff Policy was prepared under the Electricity Act, and brought into effect by the Government on January 6, 2006, in consultation with the CEA and the respective State governments, to ensure financial viability of the power sector and availability of electricity to consumers at reasonable rates, attract investments and promote transparency and consistency in regulatory approach for tariff setting. The CERC and SERCs are guided by the Tariff Policy. The Tariff Policy prescribes that for all future requirement of power, the distribution licensee is required to procure such power through a process of competitive bidding. The Government issued the guidelines for procurement of electricity through competitive bidding in January 2005. Further, PPAs are required to ensure adequate and bankable payment security mechanism in case of default.

In addition, the appropriate electricity regulatory commissions have the power to determine AFC for hydro generating stations. The components of annual fixed charges are interest on loan capital, depreciation and advances against depreciation, return on equity, operation and maintenance expenses; and interest on working capital. The AFC are recovered in the form of capacity and primary energy charges. The return on equity allowed is 15.5% p.a. on the equity amount as per the current tariff regulations. Tax on income, extra rupee liabilities are to be reimbursed separately to the power stations as per actuals.

Under the Electricity Act, the appropriate commission may differentiate according to the consumer's load factor, power factor, voltage, total consumption of electricity during any specified period or the time at which the supply is required or the geographical position of any area, nature of supply and the purpose for which the supply is required. Further, no tariff or part of any tariff may ordinarily be amended more frequently than once in any financial year, except in respect of any changes expressly permitted in terms of any fuel surcharge formula specified. An application for determination of tariff under the Electricity Act shall be made by a generating company or licensee in such manner and accompanied by such fee as determined by regulations issued under the Electricity Act and Tariff Policy. The appropriate commission shall, after considering suggestions and objections received from the public, issue a tariff order accepting the application with modifications or conditions specified in that order or may reject the application if such application is not in accordance with applicable law, provided that an applicant shall be given a reasonable opportunity of being heard before rejecting his application.

National Electricity Plan

A National Electricity Plan is required to be notified by the CEA once every five years under the Electricity Act in accordance with the NEP and with the approval of the Central Government.

The Hydro Power Policy, 2008

The Hydro Power Policy was notified by the GoI, setting out the following objectives: (a) inducing private investment in hydropower development; (b) harnessing the balance hydroelectric potential; (c) improving resettlement and rehabilitation; and (d) facilitating financial viability. The salient features of this policy are set forth below:

(a) The existing dispensation available to the public sector regarding exemption from tariff based bidding up to January 2011 is extended to private sector hydroelectric projects;

(b) State governments would be required to follow a transparent procedure for awarding potential sites to the private sector;

(c) The concerned private developer would be required to follow the existing procedure, including getting the DPR prepared, obtaining concurrence of the CEA/State government, obtaining environment, forest and other statutory clearance and then approach the appropriate regulator. It would be obligatory for the developers to go through an international competitive bidding process for award of contract for supply of equipment and construction of the project either through a turnkey contract or through a few well defined packages;

(d) Tariff of the project would be decided by the appropriate commission;

(e) Special incentive for merchant sales of up to 40% of the saleable energy is envisaged for the project(s) meeting the time lines;

(f) An additional 1% free power from the project would be provided and earmarked for a Local Area Development Fund, aimed at providing a regular stream of revenue for income generation and welfare schemes, creation of additional infrastructure and common facilities on a sustained and continued basis over the life of the project. It is further recommended that the host State government would also provide a matching 1% from their share of 12% free power towards this corpus fund. This fund could be operated by a standing committee headed by an officer of the State government not lower than a district magistrate;

(g) For 10 years from the date of commissioning of the project, 100 units of electricity per month would be provided by the project developer to each project affected family through the relevant distribution company;

(h) In the interest of speedy implementation of hydroelectric projects, it is proposed that the Resettlement and Rehabilitation package should be more liberal than the National Resettlement and Rehabilitation Policy, 2007.

Modes of participation in power projects

The two modes of participating in power projects are either through the memorandum of understanding ("**MoU**") route or the Bidding route.

MoU Route

The cost determination under the MoU route usually involves:

- determination of receivables of capital cost. The capital costs are required to be approved by a CEA, Government of India;
- approval of interest rates and local and foreign debt;
- finalizing the term of loans and/or or other debt;
- finalizing the extent of foreign exchange protection;
- fixing operating parameters within the prescribed ceilings;
- identifying Deemed Generation provisions;
- evaluating the extent of despatchability;
- evaluating the level of incentive payments;
- identifying change in law in terms of tax or any other matter;
- identifying the extent of working capital permissible;
- evaluating the premium on fuel prices for assured supply;
- identifying fuel supply and transportation risk and issues;
- evaluating escalations in operation and maintenance and insurance expenses permissible;
- evaluating the extent of maintenance of spares permissible; and
- rebates in respect of prompt payment.

The MoU route with a cost plus approach was initially adapted to attract investment. However, there were several complexities in calculating the above costs despite the capital cost of the project being frozen by the CEA. Under the Electricity Act, the CEA does not have the power to determine capital cost for the projects anymore and the requisite filings for approval of capital cost and tariff are with the regulatory commissions.

This cost plus tariff mechanism is not ideally suited for competitive bidding as this would require bidding on every element of cost of generation which becomes difficult to verify and monitor over the life of the PPA. Further, the nature of costs for IPPs is very different from public sector power project costs and in the absence of complete knowledge of cost profile, it would be impossible to design a competitive bidding process based on cost plus approach that is fair to both sides thereby eliciting good investor response. In light of the same, the competitive bid route was envisaged.

Bid Route

Bidding essentially is based on bulk power tariff structure. As noted, under the Electricity Act, the regulatory commission is required to adopt a bid-based tariff, although the Bidding Guidelines permit the bidding authority to reject all price bids received if the rates quoted are not aligned to the prevailing market prices. The Bidding Guidelines recommend bid evaluation on the basis of levelised tariff. The Bidding Guidelines envisages two types of bids: Case I bids, where the location, technology and fuel is not specified by the procurers, i.e. the generating company has the freedom to choose the site and the technology for the power plant; and Case II bids, where the projects are location specific and fuel specific.
Tariff rates for procurement of electricity by distribution licensees (Procurer), to be decided, can be for:

- long-term procurement of electricity for a period of 7 years and above;
- medium term procurement for a period of up to 7 years but exceeding 1 year.

For long-term procurement under tariff bidding guidelines, a two-stage process featuring separate RFQ and RFP stages shall be adopted for the bid process. The procurer may, at his option, adopt a single stage tender process for medium term procurement, combining the RFP and RFQ processes.

Under the bid route, typically the IPPs can bid at two parameters:

- The fixed or capacity charge; and

- The variable or energy charge, which comprises the fuel cost for the electricity generated. Bidders are usually permitted to quote a base price and an acceptable escalation formula.

The Bidding Guidelines envisages a two-step process – pre-qualification and final bid. Bidders are required to submit a technical and financial bid at the RFP stage.

Increasingly, the trend is to have all purchase of power and distribution licenses through competitive bids. The Tariff Policy 2006 requires that all procurement of power after January 6, 2006 (except for PPAs approved or submitted for approval before January 6, 2006 or projects whose financing has been tied up prior to January 6, 2006) by distribution licensees has to be through competitive bidding. Some state regulators have, however, continued to purchase power under the MoU route, stating that the Tariff Policy is merely indicative and not binding.

Roles of key organisations and players

The roles and functions of certain key organisations and players that operate in the power sector have been set out below:

Central and State Governments

The Electricity Act reserves a significant involvement of the central government in the functioning of the power sector. It has been assigned a number of duties, including planning and policy formulation, rule making, appointing, establishing, designating authority, prescribing duties and other tasks, funding, and issuing directions.

The Central Government designates a CTU and establishes the NLDC, RLDC, the Appellate Tribunal, the Coordination Forum, and the Regulators' Forum. It has the power to vest the property of a CTU in a company or companies and decide on the jurisdiction of benches of the Appellate Tribunal. It also prescribes the duties and functions of the CEA, NLDC and RLDC.

The Central Government is also responsible for the following: a) specifying additional requirements for granting more than one distribution licensee; b) providing no-objection certificates for granting license if the service area includes central government installations such as cantonment, aerodrome, defence area, etc; c) demarcating the country into transmission regions for the purpose of inter-state transmission; d) issuing guidelines for transparent bidding process; e) approving the salary and benefits of the employees of the CEA, CERC and Appellate Tribunal; f) referring cases to the Appellate Tribunal for removal of members of the CERC on the ground of misbehaviour; and g) prescribing the procedures for inquiry into misbehaviour by members.

The state government exercises appointing, designating powers, provides funds and makes rules notifications, etc. It has the powers to appoint or remove members of the SERC including the chairman, to approve the terms and conditions of appointment of the secretary to the SERC and other staff. It is also responsible for constituting the selection committee for appointing members of SERC. It establishes the state load dispatch centre (SL DC), notifies the STU, vests property of STU in companies, draws up reorganisation of the SEB through acquiring its assets and re-vests it through a transfer scheme. It is empowered to constitute special courts, and state coordination forum. The state government creates the SERC fund and can provide loan or grants for running the SERC. It also decides how the SERC should utilize the fund and how it should maintain accounts. The state government can also provide subsidy to consumers, but the Electricity Act requires it to compensate the licensee in advance by the amount of loss expected to be suffered by the licensee in implementing the subsidy. The state government notifies rural areas where exemption of license conditions would apply and issues directions to the SERC on public interest issues.

The Land Acquisition Act, 1894

The Land Acquisition Act sets forth provisions as per which the government may compulsory acquire land for any "public purpose". 'Public purpose' has been defined to include town or rural planning, planned development of land from public funds pursuant to any government scheme or policy, development schemes sponsored by the government, including acquisition for a corporation owned or controlled by the State. For a corporate body which is not owned or controlled by the State, prior permission from the appropriate government is required, along with an executed agreement with the appropriate government. Any person having an interest in such compulsorily acquired land has the right to object and the right to fair and just compensation. The value of compensation for the property acquired depends on several factors, which, among other things, include the market value of the land and damage sustained by the person in terms of loss of profits.

The Environment (Protection) Act, 1986 ("EPA")

As per the revised Environment Impact Assessment notification dated September 14, 2006 ("**EIA Notification**") site clearances for Stage - I and II have been dispensed with. Now, as per the new procedure specified in the revised EIA notification, for Category "A" hydroelectric project (for or more than 50 MW), clearance for pre-construction activities is given by the MoEF during the scoping stage along with the terms of reference ("**ToR**") for undertaking the EIA studies. The documents required for this purpose include an application seeking prior environmental clearance, to be submitted in the Form prescribed by the MoEF, along with a copy of Pre-feasibility Report ("**PFR**"). For preparation of the PFR no clearance from MoEF is now required. Earlier, site clearance Stage - I was required for undertaking the survey and investigation for the preparation of PFR/Feasibility Report. However, preparation of DPR can be undertaken only after clearance for pre-construction activities is granted by the MoEF.
Once the clearance for pre-construction activities is accorded by the MoEF, along with the approval on ToR for the EIA studies, comprehensive EIA studies are conducted through reputed institutes and universities. Once the EIA studies are completed, the process of public consultation and public hearing is initiated. As per the revised EIA Notification, public hearing is conducted at the project site(s) or in its close proximity district-wise, in accordance with the procedure laid down therein. During the public consultation process, the responses from concerned persons are invited by MoEF as well as the concerned State Pollution Control Board, in writing, by placing on their website the summary of the EIA report.

After completion of the public consultation, the environmental concerns expressed during the process are addressed in the draft EIA and EMP reports and the final EIA and EMP reports are submitted along with a copy of DPR to MoEF for appraisal by the EAC. Alternatively, a supplementary report to EIA and EMP, addressing the concerns is submitted. Once the project is recommended by the EAC, the environmental clearance is issued by the MoEF subject to compliance with the conditions stipulated in the clearance letter.

The Forest (Conservation) Act, 1980 ("FCA")

The FCA came into force on October 25, 1980, prohibits use of any forest for non-forest purposes, except with the prior consent of the GoI. 'Non-forest purposes' do not include uses (including construction of dams) ancillary to the conservation, development or management of forests or wildlife. Contravention of this provision may attract a penalty of imprisonment of up to fifteen days. A Forest Advisory Committee has been constituted under the FCA to advise the GoI on the grant of approvals and other matters relating to forest conservation. The GoI reserves the rights to make rules under the FCA.

The Forest (Conservation) Rules, notified on January 10, 2003 which superseded the Forest (Conservation) Rules, 1981, prescribe the forms in which approvals or renewals of approvals under the FCA are required to be sought.

The National Water Policy, 2002

The National Water Policy, notified in 1987 was significantly amended and notified in 2002 by the Ministry of Water Resources, GoI. The National Water Policy notes that water allocation priorities should be broadly as follows: drinking water; irrigation; hydropower; ecology; agro-industries and non-agricultural industries; and navigation and other uses. However, the priorities could be modified or added to, if warranted by region specific considerations. The National Water Policy states that water resource development projects should, as far as possible, be planned and developed as multipurpose projects, with an integrated and multi-disciplinary approach to the planning, formulation, clearance and implementation of projects, including catchment area treatment and management, environmental and ecological aspects, the rehabilitation of affected people and command area development. Planning of projects and economic evaluation of projects in hilly areas should take into account, *inter alia*, possibilities of hydropower development.

Private sector participation should be encouraged in planning, development and management of water resources projects for diverse uses, wherever feasible. Private sector participation may help in introducing innovative ideas, generating financial resources, introducing corporate management and improving service efficiency and accountability to users. Various combinations of private sector participation, in building, owning, operating, leasing and transferring of water resources facilities, may be considered. Water sharing/distribution among the States should be guided by a national perspective with due regard to water resources availability and needs within the river basin. The National Water Policy recommends that the Inter-State Water Disputes Act, 1956, be amended for timely adjudication of water disputes referred to the Tribunal, respective States should formulate their own Water Policies backed by operational action plans in a time bound manner, and that States should evolve their own detailed resettlement and rehabilitation policies for the sector, taking into account the local conditions.

The Water (Prevention and Control of Pollution) Act, 1974 (the "Water Act")

The Water Act aims to prevent and control water pollution as well as restore water quality by establishing and empowering the Central Pollution Control Board and the State Pollution Control Boards. Under the Water Act, any person establishing any industry, operation or process, any treatment or disposal system, use of any new or altered outlet for the discharge of sewage or new discharge of sewage, must obtain the consent of the relevant State Pollution Control Board, which is empowered to establish standards and conditions that are required to be complied with. In certain cases the State Pollution Control Board may cause the local Magistrates to restrain the activities of such person who is likely to cause pollution. Penalty for the contravention of the provisions of the Water Act include imposition of fines or imprisonment or both.

The Central Pollution Control Board has powers, *inter alia*, to specify and modify standards for streams and wells, while the State Pollution Control Boards have powers, *inter alia*, to inspect any sewage or trade effluents, and to review plans, specifications or other data relating to plants set up for treatment of water, to evolve efficient methods of disposal of sewage and trade effluents on land, to advise the State Government with respect to the suitability of any premises or location for carrying on any industry likely to pollute a stream or a well, to specify standards for treatment of sewage and trade effluents, to specify effluent standards to be complied with by persons while causing discharge of sewage, to obtain information from any industry and to take emergency measures in case of pollution of any stream or well.

A central water laboratory and a state water laboratory have been established under the Water Act.

The Air (Prevention and Control of Pollution) Act, 1981 (the "Air Act")

Pursuant to the provisions of the Air Act, any person, establishing or operating any industrial plant within an air pollution control area, must obtain the consent of the relevant State Pollution Control Board prior to establishing or operating such industrial plant. The State Pollution Control Board is required to grant consent within a period of four months of receipt of an application, but may impose conditions relating to pollution control equipment to be installed at the facilities. No person operating any industrial plant in any air pollution control area is permitted to discharge the emission of any air pollutant in excess of the standards laid down by the State Pollution Control Board. The penalties for the failure to comply with the provisions of the Air Act include imprisonment of up to six years and the payment of a fine as may be deemed appropriate. If an area is declared by the State Government to be an air pollution control area, then, no industrial plant may be operated in that area without the prior consent of the State Pollution Control Board.

Under the Air Act, the Central Pollution Control Board has powers, *inter alia*, to specify standards for quality of air, while the State Pollution Control Boards have powers, *inter alia*, to inspect any control equipment, industrial plant or manufacturing process, to advise the State Government with respect to the suitability of any premises or location for carrying on any industry and to obtain information from any industry.

The Hazardous Wastes (Management and Handling) Rules, 1989 (the "Hazardous Wastes Rules")

The Hazardous Wastes Rules aim to regulate the proper collection, reception, treatment, storage and disposal of hazardous waste by imposing an obligation on every occupier and operator of a facility generating hazardous waste to dispose such waste without adverse effect on the environment, including through the proper collection, treatment, storage and disposal of such waste. Every occupier and operator of a facility generating hazardous waste must obtain an approval from the Pollution Control Board. The occupier, the transporter and the operator are liable for damages caused to the environment resulting from the improper handling and disposal of hazardous waste. The operator and the occupier of a facility are liable for any fine that may be levied by the respective State Pollution Control Boards. Penalty for the contravention of the provisions of the Hazardous

Waste Rules includes imprisonment up to five years and imposition of fines as may be specified in the EPA or both.

The Company is required to obtain and maintain statutory clearances relating to Pollution Control and Environment in relation to its power projects.

The National Resettlement and Rehabilitation Policy, 2007

The National Rehabilitation and Resettlement Policy was notified by the GoI on October 31, 2007, to rehabilitate and resettle persons affected by the acquisition of land for projects of public purpose or involuntary displacement due to any other reason. The policy covers all cases of involuntary displacements. In case of each such project, which involves involuntary displacement of four hundred or more families *en masse* in plain areas, or two hundred or more families *en masse* in tribal or hilly areas, Desert Development Programme blocks or areas mentioned in the Fifth or Sixth Schedule to the Constitution of India, the appropriate Government shall constitute a committee under the chairpersonship of the Administrator for rehabilitation and resettlement, to be called the Rehabilitation and Resettlement Committee, to monitor progress of implementation of a scheme of rehabilitation and resettlement of the affected families, and to carry out post-implementation social audits.

Kyoto Protocol and Carbon Credits

The Kyoto Protocol is a protocol to the International Framework Convention on Climate Change with the objective of reducing greenhouse gases (GHG) that cause climate change. The Kyoto Protocol was agreed on December 11, 1997 at the third conference of the parties to the treaty when they met in Kyoto, and entered into force on February 16, 2005. India ratified the Kyoto Protocol on August 22, 2006.

The Kyoto Protocol defines legally binding targets and timetables for reducing the GHG emissions of industrialized countries that ratified the Kyoto Protocol.

Governments have been separated into developed nations (who have accepted GHG emission reduction obligations) and developing nations (who have no GHG emission reduction obligations). The protocol includes flexible mechanisms' which allow developed nations to meet their GHG emission limitation by purchasing GHG emission reductions from elsewhere. These can be bought either from financial exchanges, from projects which reduce emissions in developing nations under the CDM, the Joint Implementation scheme or from developed nations with excess allowances.

Typical emission certificates are:

- Certified Emission Reduction (CER);
- Emission Reduction Unit (ERU); and
- Voluntary or Verified Emission Reductions (VER).

CERs and ERUs are certificates generated from emission reduction projects, under the CDM for projects implemented in developing countries, and under Joint Implementation ("**JI**") for projects implemented in developed countries, respectively. These mechanisms are introduced within the Kyoto Protocol. For projects which cannot be implemented as CDM or JI, but still fulfill the required standards, VERs can be generated. VERs, however, cannot be used for compliance under the Kyoto Protocol.

Labor Laws and Regulations

Depending upon the nature of the activity undertaken by our Company, applicable labor laws and regulations include the following:

- The Contract Labour (Regulation and Abolition) Act, 1970;
- The Employees' Provident Funds and Miscellaneous Provisions Act, 1952;

- The Employees' State Insurance Act, 1948;
- The Factories Act, 1948;
- The Industrial Disputes Act, 1947;
- The Payment of Wages Act, 1936;
- The Workmen's Compensation Act, 1923;
- The Minimum Wages Act, 1948;
- The Payment of Bonus Act, 1965; and
- The Payment of Gratuity Act, 1972;

The Contract Labour (Regulation and Abolition) Act, 1970

The Contract Labour (Regulation and Abolition) Act, 1970 ("**CLRA**") require registration of every establishment, including establishments of the GoI and local authorities, in which 20 or more workmen are or were employed on any day in the preceding 12 months as contract labour, and of every contractor who employs or employed 20 or more workmen on any day of the preceding 12 months. The CLRA does not apply to establishments where work performed is of intermittent or casual nature. The GoI and State governments are required to set up Central and State Advisory Boards, which perform advisory functions in relation to matters arising out of the administration of the CLRA.

Under the CLRA, a registered contractor is required to pay wages and ensure disbursement of wages in the presence of an authorised representative of the principal employer. In case of a contractor's failure to pay wages in part or in full, the principal employer is liable to pay the same. In case the contract labour performs same or similar work as regular workmen, they are entitled to the same wages and service conditions as regular workmen as per the Contract Labour (Regulation and Abolition) Central Rules, 1971.

The Trade Unions Act, 1926

Trade Unions Act provides for the registration of the trade unions with the Registrars of Trade Unions of their territory. Any seven or more members of a trade union, by submitting their names to the Registrar of Trade Unions and otherwise complying with the provisions of the Trade Unions Act with respect to registration may apply for the registration of the Trade Union under the Trade Unions Act. The Act gives protection to registered trade unions in certain cases against civil and criminal action.

The Factories Act, 1948, as amended (the "Factories Act")

The Factories Act defines a "factory" to be any premise which employs or employed on any day in the previous twelve months, ten or more workers and in which a manufacturing process is being carried on with the aid of power or any premises where there are or were in the previous twelve months, at least twenty workers working even though there is no manufacturing process being carried on with the aid of power. State Governments prescribe rules with respect to the prior submission of plans, their approval for the establishment of factories and the registration and licensing of factories.

The Factories Act provides that the "occupier" of a factory (defined as the person who has ultimate control over the affairs of the factory and in the case of a company, any one of the directors) shall ensure the health, safety and welfare of all workers while they are at work in the factory, especially in respect of safety and proper maintenance of the factory such that it does not pose health risks, the safe use, handling, storage and transport of factory articles and substances, provision of adequate instruction, training and supervision to ensure workers' health and safety, cleanliness and safe working conditions.

If there is a contravention of any of the provisions of the Factories Act or the rules framed thereunder, the occupier and manager of the factory may be punished with imprisonment for a term up to two years or with a fine up to Rs. 100,000 or with both, and in case of contravention continuing after conviction, with a fine of up to Rs. 1,000 per day of contravention. In case of a contravention which results in an accident causing death or serious bodily injury, the fine shall not be less than Rs. 25,000 in the case of an accident causing death, and Rs. 5,000 in the case of an accident causing serious bodily injury.

HISTORY AND CERTAIN OTHER CORPORATE MATTERS

Brief Corporate History of our Company

Our Company was incorporated on May 24, 1988 under the Companies Act with the RoC under the name "Nathpa Jhakri Power Corporation Private Limited". The word "Private" was deleted under Section 620 read with Section 21 and 23 of the Companies Act with effect from November 3, 1988. Subsequently, pursuant to the shareholders resolution dated September 17, 2002, the name of the Company was changed from "Nathpa Jhakri Power Corporation Limited" to "Satluj Jal Vidyut Nigam Limited" as the operations of our Company were based in and around the river Sutlej. Consequent thereto a fresh certificate of incorporation dated November 11, 2002 was issued by the RoC. Further, pursuant to the shareholders resolution dated September 10, 2009, the name of the Company was again changed from "Satluj Jal Vidyut Nigam Limited" to "SJVN Limited" as the operations of our Company expanded and were no longer confined to the area in and around the river Sutlej. By the same resolution dated September 10, 2009, the Company was converted into a public limited company. Accordingly a fresh certificate of incorporation dated September 22, 2009 was issued by the RoC.

For details relating to our Company's business activities, operations and growth, location of plants, capacity built-up, technology, competition, major suppliers and customers, environmental issues, see section titled "***Our Business***" on page 58. For details relating to the management of our Company, see section titled "***Our Management***" on page 104.

Changes in our Registered Office

The Registered Office of our Company was initially located at Kumar House, Shimla, Himachal Pradesh. It was subsequently moved for administrative reasons to its present location i.e. Himfed Building, New Shimla-171 009, Himachal Pradesh with effect from February 3, 1994.

Major events

Year	Event
1988	Incorporation of the Company
1992	Company took over the execution of NJHEP from HPSEB
1997	Enhancement of authorised share capital of Company from Rs.10,000 million to Rs. 22,000 million.
1999	Enhancement of authorised share capital of Company from Rs.22,000 million to Rs. 45,000 million.
2002	Change of name of Company from Nathpa Jhakri Power Corporation Limited to Satluj Jal Vidyut Nigam Limited
2003	Commercial generation of units for NJHEP
2004	GoHP allocated Luhri Hydro Electric Project to the Company for preparation of detailed project report Implementation agreement signed with GoHP for RHEP.
2005	DPR cleared by CEA for RHEP Agreement signed with Government of Uttarakhand for execution of Devsari HEP (300 MW), Naitwar Mori HEP (33 MW) and Jakhol Sankri HEP (33 MW) on BOO basis.
2006	Public Investment Board clearance for RHEP.
2007	CCEA clearance for RHEP
2008	Grant of Mini Ratna Category I status to the Company; Upgradation of the Company from Schedule B to Schedule A Central Public Sector Enterprise; MoU signed for Arun - III HEP with Government of Nepal; MoU signed between GoHP and the Company for the implementation of Luhri HEP; and MoU signed for the execution of Dhaulasidh HEP with GoHP.
2009	Change of name of Company from "Satluj Jal Vidyut Nigam Limited" to "SJVN Limited"; Change of status of Company from private limited company to public limited Company; Enhancement of authorised share capital of Company from Rs.45,000 million to Rs. 70,000 million; Sub division of face value of equity shares from Rs.1,000 per equity share to Rs. 10 per equity share.
2010	For the first time in the operating history of the NJHPS, 7017.55 million units were generated in the Fiscal 2010

Our Company has 9 shareholders as on the date of filing this Red Herring Prospectus.

Awards and recognitions

We were awarded the Rajiv Gandhi National Quality Award, 2008 in the 'Best of All' category on December 17, 2009 by the Bureau of Indian Standards.

We have received the following awards and recognitions from the Greentech Foundation for achieving and maintaining high standards in various aspects of our business.

The Greentech Foundation was established in the year 1999 and is based in California and New Delhi. The foundation is a non-profit organisation committed to recognising outstanding performance in relation to safety issues. The foundation has also taken a lead role in promoting education, training, research and dissemination of knowledge, advancing the scientific, technical and practical aspects of safety in the workplace, environment protection and climate change. To this effect, the Greentech Foundation has instituted the annual Greentech Foundation Safety Awards and Greentech Environment Excellance Awards to recognise, reward and promote exceptional goals in the field of safety and all positive aspects of environmental responsibilities.

S. No.	Award	Awarded By	In recognition of	Date
1	Safety Award (Silver Award in power sector)	Greentech Foundation	Outstanding achievement in safety management for NJHEP	2009, 2008, 2007 and 2006
2	Greentech Environment Excellence Award (Silver Award)	Greentech Foundation	Outstanding achievement in environment management for RHEP	2009
3	Greentech Environment Excellence Award (Bronze Award)	Greentech Foundation	Outstanding achievement in environment management for RHEP	2007 and 2006

Certifications

We have received the following certifications including renewals in various aspects of our business:

Year	Certification
2009	Bureau of Indian Standards granted to the Company a license (no. 9000132) for occupational health and safety management systems certification to carry out activities at RHEP (for construction of tunnel from Jhakri to Bayal and construction of power house at Bayal for generation of 412 MW of hydro electricity including office and allied works) in accordance with the IS 18001:2007. The license is valid from March 31, 2009 until March 30, 2012.
2009	Bureau of Indian Standards granted to the Company a license (no. 9000302) for occupational health and safety management systems certification to carry out activities at RHEP (for construction of tunnel from Jhakri to Bayal and construction of power house at Bayal for generation of 412 MW of hydro electricity including office and allied works) in accordance with the IS 14001:2004. The license is valid from March 31, 2009 until March 30, 2012.
2008	Certificate granted by the certification body of the TUV SUD Management Service GmbH Trading as TUV SUD South Asia Private Limited to the Company certifying that the construction of the tunnel and power house from Jhakri to Bayal for generation of 412 MW of electricity complied with the requirements of ISO 9001:2000.
2008	Det Norkse Veritas Management System Certificate granted to the Company certifying that the quality management system of the Company with regard to the services of design, contracting, quality assurance and related support to hydro power projects / hydro power stations conforms to the Quality Management System Standard ISO 9001: 2000. The certificate is valid until February 11, 2011.

Our Main Objects

Our main objects, as contained in our Memorandum of Association are:

i.(a) To plan, promote, develop all forms of power, both renewable as well as non-renewable except thermal and all ancillary activities related thereto, in India and abroad including planning, investigation, research, design and preparation of preliminary, feasibility and definite Project reports, construction, generation, comprehensive operation, maintenance, Renovation & Modernisation of power stations and projects, transmission, distribution, sale of power generated at Stations in India and abroad.

(b) To undertake, where necessary, construction of transmission lines and ancillary works for proper evacuation and distribution of power.

ii. To coordinate the activities of its subsidiaries to determine their economic and financial objectives/targets and to review, control, guide and direct their performance with a view to secure optimum utilisation of all resources placed at their disposal.

iii. To act as an agent of Government/Public Sector financial Institutions, to exercise all the rights and powers exercisable at any meeting of any Company engaged in the planning, investigations, research, design and preparation of preliminary, feasibility and definite project reports, construction, generation, operation, maintenance, Renovation & Modernisation of power stations and projects, transmission, distribution and sale of power in respect of any shares held by the Governments, Public financial Institutions, nationalised banks, nationalised insurance companies with a view to secure the most effective utilisation of the financial investments and loans in such companies and the most efficient development of the concerned industries.

iv. To carry on the business of purchasing, selling, importing, exporting, producing, trading, manufacturing or otherwise dealing in all aspects of planning, investigation, research, design and preparation of preliminary, feasibility and definite Project reports, development, construction, generation, operation and maintenance, renovation & modernisation, transmission, distribution and sale of power, both from renewable as well as non-renewable sources, ancillary and other allied industries and for that purpose to install, operate and manage all necessary plants, establishments and works.

*For details relating to our business and operations, please refer to sections on **"Our Business"** and **"Financial Statements"** on pages 58 and F- 1 respectively*

Changes in our Memorandum of Association

Since our incorporation, the following changes have been made to our Memorandum of Association:

Sl. No.	Date of shareholders' meeting	Nature of Amendment
1	06.06.1997	Increase of authorised capital of our Company from Rs. 10,000 million comprising of 10,000,000 Equity Shares of Rs. 1000 each to Rs. 22,000 million comprising of 22,000,000 Equity Shares of Rs. 1000 each.
2	20.09.1999	Increase of authorised capital of our Company from Rs. 22,000 million comprising of 22,000,000 Equity Shares of Rs. 1000 each to Rs. 45,000 million comprising of 45,000,000 Equity Shares of Rs. 1000 each.
3	17.09.2002	Change of name of our Company from "Nathpa Jhakri Power Corporation Limited to "Satluj Jal Vidyut Nigam Limited".
4	10.09.2009	Change of name of the Company from "Satluj Jal Vidyut Nigam Limited" to "SJVN Limited". Increase of authorised capital from Rs. 45,000 million to Rs. 70,000 million and a simultaneous split of Equity Shares from Rs.1000 each to Rs. 10 each thereby altering the authorised share capital to 7,000,000,000 Equity Shares of Rs. 10 each. *The following clauses were inserted as clause (iii) and Clause (iv) in the main object clause of Memorandum:* *iii. To act as an agent of Government/Public Sector financial Institutions, to exercise all the rights and powers exercisable at any meeting of any Company engaged in the planning, investigations, research, design and preparation of preliminary, feasibility and definite project reports, construction, generation, operation, maintenance, Renovation & Modernisation of power stations and projects, transmission, distribution and sale of power in respect of any shares held by the Governments, Public financial Institutions, nationalised banks, nationalised insurance companies with a view to secure the most effective utilisation of the financial investments and loans in such companies and the most efficient development of the concerned industries.* *iv. To carry on the business of purchasing, selling, importing, exporting, producing, trading, manufacturing or otherwise dealing in all aspects of planning, investigation, research, design and preparation of preliminary, feasibility and definite Project reports, development, construction, generation, operation and maintenance, renovation & modernisation, transmission, distribution and sale of power, both from*

		renewable as well as non-renewable sources, ancillary and other allied industries and for that purpose to install, operate and manage all necessary plants, establishments and works.

Our Company is not operating under any injunction or restraining order.

Defaults or Rescheduling of Borrowings with Financial Institutions/ Banks

For details in relation to rescheduling of borrowings with financial institutions/ banks, see section titled "***Financial Indebtedness***" on page 123.

Strikes or Labour Unrest

Except some minor losses, we have till date, not lost any time on account of strikes or labour unrest**.**

Changes in the activities of our Company during the last five years

There have been no changes in the activities of the Company during the last five years preceding the date of this Red Herring Prospectus, which may have had a material effect on our profits or loss.

Capital raising through equity and debt

For details in relation to our capital raising activities through equity and debt, see the section titled " ***Financial Indebtedness***" and **"*Capital Structure*"** on page 123 and 23 respectively.

Time and Cost Overrun

There have been time and cost overruns with respect to setting up and commissioning of NJHEP project and the cost estimates for the same have been revised thrice with the latest revised cost estimates approved by the MoP by its letter dated August 14, 2007. The third revised cost estimate as sanctioned by the MoP is Rs. 81,877.13 million.

There have been time overruns with regard to the Rampur HEP. The same has been documented in an Implementation Review Support Mission Report issued by the World Bank dated October 23, 2009. With regard to time overruns, the report states that tunnelling in the head race tunnel upstream of the Goshai Adit had been reduced to 30 meters per month, which led to delays in the completion of the Adit. This is presently being addressed with the implementation of a Tunnel Acceleration Plan as advised by the World Bank. The next review for the cost and time estimates for the Rampur HEP was scheduled to take place in March 2010. As at the date of this Red Herring Prospectus, this review has not been conducted.

Strategic Partners

As on the date of this RHP, our Company does not have any strategic partners within the meaning of the SEBI ICDR Regulations.

Financial Partners

As on the date of this RHP, apart from our various arrangements with our lenders and bankers, which we undertake in the ordinary course of our business, our Company does not have any other financial partners within the meaning of the SEBI ICDR Regulations.

Shareholder Agreements

As on the date of this RHP, our Company has not entered into any shareholder agreements.

Other Agreements

Except as disclosed in this Red Herring Prospectus, there are no material agreements, apart from those entered into in the ordinary course of business carried on or intended to be carried on by us and there are no material agreements entered into more than two years before the date of this RHP.

Subsidiaries

As on the date of this RHP, our Company does not have any Subsidiaries

OUR MANAGEMENT

Our Articles of Association require us to have not less than six and not more than 15 Directors. Our Company currently has ten directors on its Board of which three are whole time directors, one is a nominee of the Government of India, one is a nominee of Government of Himachal Pradesh and five are independent directors. Our Company's Chairman-cum-Managing Director is Mr. Hemant Kumar Sharma.

The following table sets out the current details regarding our Board as on the date of the filing of this Red Herring Prospectus:

Name / designation/ DIN/occupation	Age	Usual Residential Address	Other Directorships
Mr. Hemant Kumar Sharma (S/o Mr. Anand Swarup Sharma) ***Chairman and Managing Director*** DIN: 00030716 Occupation: Service	55	Dhariwal House, Ram Nagar, Shimla, Himachal Pradesh – 171 004	NIL
Mr. Rajinder Singh Katoch (S/o Mr. Dina Nath Katoch) ***Director(Personnel)*** DIN: 00822714 Occupation: Service	58	D-2/2223 Vasant Kunj New Delhi – 110 070	NIL
Mr. Raghunath Prasad Singh (S/o Mr. Rameshwar Singh) ***Director (Electrical))*** DIN: 01894041 Occupation: Service	55	Block - C, Flat No. 493 Divyajyoti Apartment, Sector – 19, Rohini, New Delhi – 110 085	NIL
Mr. Sudhir Kumar (S/o Mr. Rughan Mal Jain) ***Non Executive Director- GOI Nominee*** DIN: 02669103 Occupation: Service	53	T-6/41, Railway Officers Enclave, San Martin Marg, Chanakyapuri, New Delhi – 110 021	THDC India Limited; NHPC Limited PTC India Limited NEEPCO Limited
Mr. Deepak Sanan (S/o Sh. Satya Paul Sanan.) ***Non Executive Director - GoHP Nominee*** DIN: 02830225 Occupation: Service	53	House No. 10, Type – V Kasumpti, Shimla - 171009	HP Power Corporation Limited HP Power Transmission Corporation Limited
Mr. Kamaljit Singh Gill (S/o Mr. Hari Singh Gill) ***Independent Director*** DIN: 02196903 Occupation: retired as Engineer in Chief, Punjab State Electricity Board.	64	73-A, Sahibjada Ajit Singh Nagar Mithapur Road, PO Model Town, Jalandhar City (Punjab) – 144 003	NIL
Mr. S.M. Lodha (S/o Mr. Kalyanmal Lodha) ***Independent Director*** DIN: 00742185 Occupation: Independent Director in various private sector companies.	59	5, Panhar Worli Sea Face Mumbai – 400 018	Essar Information Techonolgy Limited; India Securities Limited; Essar Securities Limited., Sangam Agro Acres Limited; Elexir Financial Services Limited
Mr. Kambhampati Subramanya Sarma (S/o Mr. K.V. Sastry) ***Independent Director*** DIN: 01505787 Occupation: retired as CEO, Prasar Bharti.	66	8-2-677/B/1, Road No. 12, Banjara Hills, Hyderabad – 500 034	Gold Stone Technologies Limited; KMK Event Management Limited; KMK Events (Delhi) Limited
Mr Ravi Dhingra ***Independent Director***	61	31 Munirka Vihar New Delhi -110 067	NIL

Ms Bharti Prasad ***Independent Director***	60	C – 307 Hum Sub Apartments Plot No. 14, Sector 4 Dwarka, New Delhi 110 075	NIL

Brief profile of each of the Directors

Mr. H.K. Sharma, 56 years, is working as the Chairman and Managing Director of the Company since July 18, 2005. He joined our Company as Additional General Manager (Civil) on deputation from NHPC Limited. Mr. Sharma is a graduate in civil engineering from Punjab University and a fellow member of Institution of Engineers, India, Indian Institution of Bridge Engineers and Society of Power Engineers. He has about 33 years of professional experience. He began his career with Himachal Public Works Department and has also worked in different capacities in Haryana Irrigation Department, National Hydro Power Corporation and Konkan Railway Corporation. He has been awarded a number of prestigious awards like Indira Gandhi Sadbhawana Award, Hind Gaurav Award, Udyog Ratan Award, Bhartiya Vikas Ratan Award, Leadership Excellence Award for National Development and Rashtriya Samman Purskar etc. for his exemplary management of hydro power projects. Further, under his leadership SJVNL has also been honored with a number of prestigious awards. Mr. Sharma has presented various technical papers in national and international conferences held in India and abroad on hydropower development.

Mr. Rajinder Singh Katoch, 59 years, is on our Board as the Director (personnel) since 25th September, 2006. Mr. Katoch is a post graduate in business administration from Himachal Pradesh University. He has about 34 years of experience in various sectors including the power sector. Prior to joining the Company, he was General Manager (HR) in Bharat Heavy Electrical Limited. As the Director (personnel), he is in charge of human resource functions including personnel and administration, corporate monitoring and co-ordination, procurement, legal and resettlement and rehabilitation departments.

Mr. Raghunath Prasad Singh, 55 years, is working as the Director (electrical) in the Company since November 1, 2007. Mr. Singh is a graduate in electrical engineering from Regional Engineering College, Warangal. Prior to joining our Company, he was the Executive Director of North Eastern Electric Power Corporation Limited for more than 26 years and was associated with corporate planning, monitoring, design, engineering etc. of transmission lines and hydro projects. Mr. Raghunath Prasad Singh has distinction in completing 100 kilometers of transmission lines in a record time of 18 months besides achieving machine availability of around 97% of Ranganandi Hydro Electric Plant (405 MW) consecutively for two years i.e. 2004-05 & 2005-06 and earned Bronze Shield for 2004-05 by the Ministry of Power, Government of India under National Award for meritorious performance. As the Director (Electrical), he is responsible for electrical design, erection, commissioning, electrical contracts, commercial, system operations, quality assurance and inspection of Nathpa Jhakri Hydro Power Station, Arun-III HEP and Bhutan Projects.

Mr. Sudhir Kumar, 54 years, has been non Executive Director on our Board since September 29, 2009 as the nominee of Government of India. Mr. Kumar is an Indian Administrative Services officer and holds a post graduate degree in commerce from Delhi School of Economics. He has served on various state and central administrative positions in various departments including home, energy, commercial, taxation, finance rural areas and employment, power and railways.

Mr. Deepak Sanan, 53 years, has been a non Executive Director on our Board since April 4, 2010 as the nominee of the Government of Himachal Pradesh. Mr. Deepak Sanan is an Indian Administrative Services Officer and is a post graduate in International Politics from Jawaharlal Nehru University, New Delhi. He has served on various central and state government administrative positions in various departments/ ministries including public finance, rural development & panchayati raj, water and sanitation, public health etc. and handled a number of assignments as a consultant with the World Bank including the position of India Country Team Leader.

Mr. Kamaljit Singh Gill, 64 years, is an independent Director on our Board since May 13, 2008. A graduate in Electrical Engineering from Punjab University, Mr. Kamaljit Singh Gill possesses about 37 years of extensive professional experience in the power sector. He has an experience of 36 years with Punjab State Electricity Board in various capacities beginning from Assistant Engineer to the level of Engineer in Chief.

Mr. S.M. Lodha, 59 years, is an Independent Director on our Board since May 9, 2008. A Law graduate from the University College of Law, Kolkata and a Management graduate from the R.A. Poddar Institute of

Management, Jaipur. Mr. S.M. Lodha has an experience of 36 years and cross industry exposure in the area of finance, commercial, project implementation etc. in large corporate.

Mr. Kambhapati Subramanya Sarma, 66 years, is an Independent Director on our Board since May 2, 2008. He holds a master's degree in science and master's degree in arts from Andrha University. A retired Indian Administrative Services officer, Mr. Sarma has about 44 years of experience and has held various administrative positions with the Government of Andhra Pradesh and Government of India including in various fields like financial management and planning, information and broadcasting and education and retired as the Chief Executive Officer of Prasar Bharti.

Mr Ravi Dhingra, 61 years, is an Independent Director on our board since March 29, 2010. He holds a master's degree in arts from Delhi University and a professional qualification in the management of public sector enterprises from the University of Manchester in the UK. A retired Indian Administrative Services officer, Mr Dhingra has 37 years of experience and has held various positions including Secretary to the GOI, Ministry of Home Affairs, Chief Secretary to the GoHP, Principal Secretary Finance to the GoHP and Chairman of the HPSEB.

Ms Bharti Prasad, 60 years, is an Independent Director on our Board since March 29, 2010. She holds an M. Phil. degree from Punjab University, Chandigarh. An Indian Audit & Accounts Service officer, she retired as Deputy Comptroller Auditor General. Ms. Prasad has 38 years of experience and has held various key positions in Government of India ranging from Accountant General, Uttar Pradesh, Joint Secretary, Ministry of Finance, Principal Accountant General, West Bengal, Calcutta. She is member of Advisory Group on Evaluation of Audit, International Civil Aviation Organisation, Montreal and International Public Sector Accounting Standard Board.

Borrowing Powers of the Board of Directors of our Company

In accordance with the provisions of section 293 (1) (d) of the Companies Act, the borrowing powers of the Board of Directors are restricted to a sum not exceeding the aggregate of the paid-up capital of the Company and its free reserves. This restriction on the Directors' borrowing powers does not include temporary loans obtained from the Company's bankers in the ordinary course of business. The restriction may be exceeded if consent to such is given in a general meeting of the Company.

Details of Appointment of our Directors

Name of Directors	Appointment Letter/ MoP Order	Term
Mr. Hemant Kumar Sharma	Ministry of Power Order No. 13/14/2005-H.II dated July 18, 2005	Appointed as the Chairman and the Managing Director for a period of 5 years or date of superannuation whichever is earlier with effect from the date of assumption of the charge of the post
Mr. Rajinder Singh Katoch	Ministry of Power Order No. 13/20/2005-H.II dated October 5, 2006	Appointed as a Director for a period of 5 years or date of superannuation, whichever is earlier, with effect from September 25, 2006
Mr. Raghunath Prasad Singh	Ministry of Power Order No. 13/16/2006-H-II dated September 3, 2007	Appointed as a Director for a period of 5 years or date of superannuation whichever is earlier with effect from November 1, 2007 or the date of assumption of the charge of the post.
Mr. Sudhir Kumar	Ministry of Power Order No. 13/11/2008-H.II (Pt.) dated September 29, 2009	Appointed as non executive Director. Tenure not specified in the appointment letter.
Mr. Deepak Sanan	Ministry of Power Order No. 23/15/2009-H-II dated April, 8 2010	Appointed as non executive Director. Tenure not specified in the appointment letter.
Mr. Kamaljit Singh Gill	Ministry of Power Order No. 13/5/2006-H.II dated May 2, 2008	Appointed as an independent Director for a period of 3 years, with effect from the date of assumption of the charge of the post or until further orders, whichever is earlier:
Mr. S.M. Lodha	Ministry of Power Order No. 13/5/2006-H.II dated May 2, 2008	Appointed as independent Director for a period of 3 years, with effect from the date of assumption of the charge of the post or until further orders, whichever is earlier:

Mr. Kambhampati Subramanya Sarma	Ministry of Power Order No. 13/5/2006-H.II dated May 2, 2008	Appointed as independent Director for a period of 3 years, with effect from the date of assumption of the charge of the post or until further orders, whichever is earlier:
Mr Ravi Dhingra	Ministry of Power Order No. 13/5/2006- H- II dated March 29, 2010	Appointed as independent Director for a period of 3 years, with effect from the date of assumption of the charge of the post or until further orders, whichever is earlier
Ms Bharti Prasad	Ministry of Power Order No. 13/5/2006- H- II dated March 29, 2010	Appointed as independent Director for a period of 3 years, with effect from the date of assumption of the charge of the post or until further orders, whichever is earlier

Except for our whole-time Directors who are entitled to statutory benefits like gratuity and provident fund upon termination of their employment with us along with certain post retirement medical benefits, no other Director is entitled to any benefit upon cessation of their directorship with us.

Relationship between directors

The Directors of our Company are not related to each other

Remuneration of our Directors

As per the AoA of the Company, the Directors shall be paid such salary and/or allowance as the President may, from time to time, determine. Subject to the provisions of Section 314 of the Companies Act, such reasonable additional remuneration, as may be fixed by the President, may be paid to any one or more of the Directors for extra or special services rendered by him or them or otherwise.

Further, pursuant to memoranda issued by the DPE on November 26, 2008 and April 2, 2009 ("**Memorandum No. 1**"), and the Presidential directive bearing F. No: 32/11/2009- H.II dated April 30, 2009 ("**Presidential Directive**") the GoI has decided to revise the pay scales of board members and executive officers of central public sector enterprises ("**CPSE**"), including the Company, retrospectively from January 2007. However, the same is pending implementation by our Company. Accordingly, the remuneration set forth below for each of the Directors will be revised.

The following table sets forth the details of the gross remuneration for our whole-time directors for Fiscal 2010. Our directors are also entitled to benefits/facilities such as official vehicle, medical reimbursements, leave travel concession, gratuity, reimbursements for maintenance of a residential office and official entertainment.

S. No.	Name	Basic Salary (Rs.)	Dearness Allowance (Rs.)	House Rent Allowance/Lease (Rs.)	Other benefits (Rs.)	Gross Total (Rs.)
1.	Mr. Hemant Kumar Sharma	360,309	299,385	162,799	597,515	**1,420,008**
2.	Mr. Raghunath Prasad Singh	327,600	272,563	73,716	588,187	**1,262,066**
3.	Mr. Rajinder Singh Katoch	335,200	280,550	75,876	593,721	**1,285,347**
4.	Mr. Sudhir Kumar	Being nominee Director of the GOI, Mr. Sudhir Kumar draws his remuneration from the GOI.				
5.	Mr. Deepak Sanan	Being nominee Director of the GoHP, Mr. Deepak Sanan draws his remuneration from the GoHP.				
6.	Mr. Kamaljit Singh Gill*	Travel allowance, daily allowance and a sitting fee of Rs.10,000 per meeting.				
7.	Mr. S.M. Lodha*	Travel allowance, daily allowance and a sitting fee of Rs.10,000 per meeting.				
8.	Mr. Kambhampati Subramanya Sarma *	Travel allowance, daily allowance and a sitting fee of Rs.10,000 per meeting.				
9.	Mr Ravi Dhingra	Travel allowance, daily allowance and a sitting fee of Rs.10,000 per meeting				
10.	Ms Bharti Prasad	Travel allowance, daily allowance and a sitting fee of Rs.10,000 per meeting				

* *Pursuant to the meetings of the Board of Directors held on June 3, 2008 and April 20, 2009, independent Directors of the Company are entitled to travel allowance, daily allowance and a fee of Rs. 10,000 for attending each meeting of the Board of Directors, committees of the Board of Directors, project review meetings and quarterly review meetings.*

Details of terms and conditions of employment of Company's Directors

As per the AoA of the Company, all members of the Board of Directors shall be appointed by the President of India.

The appointment orders indicating the scale of pay and tenure of the Directors have been issued in respect of all the Directors by the President of India acting through MoP. However, MoP has only issued the detailed terms and conditions of service with respect to Mr. Rajinder Singh Katoch by its letter (bearing reference no. 13/20/2005-H-II) dated July 4, 2007 ("**Letter**"). For other Directors, the detailed terms and conditions are yet to be issued by the MoP.

Some of the important terms and conditions of service of Mr. Rajinder Singh Katoch as set out in the Letter are briefly summarised below:

Period: The period of appointment will be 5 years w.e.f. September 25, 2006 in the first instance or till the age of superannuation or until further orders, whichever event occurs earlier and in accordance with the provisions of the Companies Act. The appointment may, however, be terminated even during this period by either side on 3 months notice or on payment of three months salary in lieu thereof.

After the expiry of the first year, the performance of Mr Rajinder Singh Katoch will be reviewed to enable the Government to take a view regarding continuance or otherwise for the balance period of tenure.

Headquarters: Headquarters will be at Shimla where the registered office/ headquarters of the Company is located. Mr. Rajinder Singh Katoch will be liable to serve in any part of the country at the discretion of the PSE.

Further as per the Letter, in addition to the basic pay, Mr. Rajinder Singh Katoch would also be entitled to Dearness Allowance, residential accommodation/ payment of House Rent Allowance and recovery of rent for the accommodation provided, City Compensatory Allowance, annual increments, conveyance and other benefits and perquisites such as medical facilities, Traveling Allowance, Leave Travel Concession, Disability Leave etc. in accordance with the rules of the Company.

Conduct, discipline and appeal rules:

The conduct, discipline and appeal rules framed by the Company in respect of their non-workmen category of staff would also mutatis mutandis apply to Mr. Rajinder Singh Katoch with the modification that the disciplinary authority in his case would be the President.

The Government also reserves the right not to accept their resignation if the circumstances so warrant i.e. the disciplinary proceedings are pending or a decision has taken by the competent authority to issue a charge sheet to them.

Restriction on joining private commercial undertaking after retirement:

Mr. Rajinder Singh Katoch after retirement from the service of the Company shall not accept any appointment or post, whether advisory or administrative, in any firm or company whether Indian or foreign, with which the Company has or had business relations, within two years from the date of his retirement, without prior approval of the Government.

Shareholding of Directors in the Company

Our Articles do not require our Directors to hold any qualification shares. The following table details the shareholding of our Directors in the Company as on the date of filing of this Red Herring Prospectus:

Sr. No.	Name	No. of Shares held (Face Value: Rs.10)	Shareholding (%)
1	Mr. Hemant Kumar Sharma*	100	Negligible
2	Mr. Raghunath Prasad Singh*	100	Negligible

3	Mr. Sudhir Kumar*	100	Negligible
4	Mr. Rajinder Singh Katoch *	100	Negligible
5.	Mr. Deepak Sanan*	100	Negligible

* *Held on behalf of the President of India*

Interest of our Directors

All of our Directors may be deemed to be interested to the extent of remuneration and fees paid to them for services rendered as a Director of the Company as well as to the extent of reimbursement of expenses, if any, payable to them.

All our Directors may be deemed to be interested to the extent of Equity Shares that may be subscribed for and allotted to them, out of the present Offer in terms of this Red Herring Prospectus. Such Directors may also be deemed to be interested to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

Our Directors have no interest in any property acquired by us within two years of the date of filing of this Red Herring Prospectus, except as stated in the section titled, "***Financial Statements-Related Party Transactions***" on page 1.

Further, pursuant to the meetings of the Board of Directors held on June 3, 2008 and April 20, 2009, the independent Directors of the Company are entitled to travel allowance, daily allowance and a fee of Rs. 10,000 for attending each meeting of the Board of Directors, committees of the Board of Directors, project review meetings and quarterly review meetings.

Changes in our Board of Directors during the last three years

The changes in our Board of Directors in the last three years are as follows:

Name	Date of Appointment	Date of Cessation/ Change	Reason for Cessation/ Change
Mr. Gurdial Singh	January 12, 2005	December 24, 2009	Nomination withdrawn by the MoP
Mr. Mrutunjay Sahoo	July 30, 2002	June 29, 2007	Nomination withdrawn by the MoP
Mr. Anil Kumar Kutty	June 10, 2003	August 14, 2008	Nomination withdrawn by the MoP
Mr. Jai Prakash Negi	March 17, 2004	January 2, 2008	Nomination withdrawn by the MoP
Mr. Ramji Das Prabhakar	November 30, 2005	October 31, 2007	Superannuation
Mr. Sutanu Behuria	March 31, 2006	May 5, 2007	Resignation
Mr. Jatinder Kumar Sharma	June 14, 2006	April 9, 2009	Resignation
Mr. Rajinder Singh Katoch	September 25, 2009	Continuing	-
Mr. K. K.Garg	May 7, 2007	November 3, 2009	Resignation
Mr. Arvind Mehta	July 12, 2007	September 22, 2009	Nomination withdrawn by the MoP
Mr. Rajesh Verma	July 23, 2007	March 26, 2009	Nomination withdrawn by the MoP
Mr. Jayant Shriniwas Kawale	September 3, 2007	September 29, 2009	Nomination withdrawn by the MoP
Mr. Raghunath Prasad Singh	November 1, 2007	Continuing	-
Mr. Ajay Mittal	April 11, 2008	May 19, 2009	Nomination withdrawn by the MoP
Mr. Kamaljit Singh Gill	May 2, 2008	Continuing	-
Mr. S.M. Lodha	May 2, 2008	Continuing	-
Mr. Kambhampati Subramanya Sarma	May 2, 2008	Continuing	-

Mr. Ajay Tyagi	October 6, 2009	April 8, 2010	Nomination withdrawn by the MoP
Mr. Sudhir Kumar	September 29, 2009	Continuing	-
Mr Ravi Dhingra	March 29, 2010	Continuing	-
Ms Bharti Prasad	March 29, 2010	Continuing	-
Mr Deepak Sanan	April 8, 2010	Continuing	-

Corporate Governance

The provisions of the Listing Agreement to be entered into with the Stock Exchanges and the SEBI ICDR Regulations in respect of corporate governance will be applicable to the Company immediately upon the listing of the Equity Shares on the Stock Exchanges. The Company has complied with the corporate governance requirements in accordance with Clause 49 of the Listing Agreement, in relation to the constitution of the audit committee, the investors' grievance committee,the remuneration committee and the appointment of independent Directors . Further the Company has a code of conduct in place which is complied by the Board of Directors and the senior management of the Company.

The Board functions either as a full Board or through various committees constituted to oversee specific operational areas.

In terms of the Clause 49 of the Listing Agreement, the Company has constituted the following committees:

Audit Committee

The Audit Committee was originally constituted by the Board of Directors in their meeting held on October 26, 2006 ("**Audit Committee**"). The present Audit Committee was re-constituted by the Board of Directors in their meeting held on April 13, 2010. The Audit Committee is in compliance with Clause 49 of the Listing Agreement and comprises the following members:

Name of the Director	Designation	Position in Committee
Mr. Kambhampati Subramanya Sarma	Independent Director	Chairperson
Mr. S.M. Lodha	Independent Director	Member
Mr. Kamaljit Singh Gill	Independent Director	Member
Mr Deepak Sanan	GoHP nominee	Member

The terms of reference of the Audit Committee is in accordance with the Companies Act, Guidelines on Corporate Governance issued by the Department of Public Enterprises and the Listing Agreement as amended from time to time and include the following:

(a) Overseeing our financial reporting process and the disclosure of our financial information to ensure that the financial statement is correct, sufficient and credible;
(b) Recommending the Board regarding the fixation of the audit fee;
(c) Approving of payment of statutory auditors for any other services rendered by them;
(d) Reviewing with the management the quarterly and annual financial statements before submission to the Board;
(e) Reviewing with the management, external and internal auditors, the adequacy of internal control systems;
(f) Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit;
(g) Discussing with internal auditors regarding any significant findings and follow up thereon;
(h) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
(i) Discussing with external auditors before the audit commences, nature and scope of the audit, as well as have post audit discussion to ascertain any area of concern;

(j) Reviewing our financial and risk management policies;
(k) Looking into the reason for substantial defaults in payments to depositors, debenture holders, shareholders and creditors;
(l) Reviewing the functioning of the whistle blowing mechanism, in case the same is formulated;
(m) Reviewing, with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilised for the purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of public or rights issue and making appropriate recommendations to the board to take up steps in this matter; and
(n) Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

The Audit Committee is required to meet at least four times in a year, i.e. once before the finalisation of annual accounts and once in every six months. The quorum for the meetings is two members or one third of the total number of members, whichever is higher, provided there is a minimum of two independent members present.

Shareholders/ Investor Grievance Committee

The Investor Grievance Committee was constituted by the IPO Committee in their meeting held on March 29, 2010 ("**Investor Grievance Committee**"). The Investor Grievance Committee is in compliance with Clause 49 of the Listing Agreement and comprises the following members:

Name of the Director	Designation	Position in Committee
Ms Bharti Prasad	Independent Director	Chairperson
Mr Hemant Kumar Sharma	Chairman and Managing Director	Member
Mr Ravi Dhingra	Independent Director	Member

The terms of reference of the Investor Grievance Committee is in accordance with the Companies Act, Guidelines on Corporate Governance issued by the Department of Public Enterprises and the Listing Agreement as amended from time to time and include the following:

(a) Redressal of investors' complaints;
(b) Allottment of shares, approval of transfer or transmission of shares, debentures or any other securities;
(c) Issue of duplicate certificates and new certificates on split/ consolidation/ renewal, etc;
(d) Non-reciept of declared dividends, balance sheets of the Company, etc; and
(e) Carrying out any other function contained in the Listing Agreement as and when amended from time to time

The Investor Grievance Committee is required to meet at least four times in a year with a maximum interval of four months between two meetings. The quorum for the meetings is two members personally present.

Remuneration Committee

As per the DPE's office memorandum no.2 (70)/08-DPE (WC) dated November 26, 2008 ("**Memorandum No.2**"), the constitution of a Remuneration Committee is mandatory for the Company. Accordingly, a Remuneration Committee was constituted by the Board of Directors in its meeting dated March 4, 2009. However, the committee was reconstituted due to the resignation of one of the members and according as on the date of the Red Herring Prospectus, the said committee comprises of following members:

Name of the Director	Designation	Position in Committee
Mr. Kamaljit Singh Gill	Independent Director	Chairperson
Mr. Rajinder Singh Katoch	Director, Personnel	Member
Mr. Hemant Kumar Sharma*	Director, Finance	Member

** Mr. H.K. Sharma (Chairman and Managing Director) assumed the additional charge of Director, Finance pursuant to the resignation of Mr. K.K. Garg as a Director of the Company with effect from November 3, 2009. Accordingly, Mr. H.K. Sharma replaced Mr. K.K. Garg as a member of the Remuneration Committee.*

The Remuneration Committee looks into all proposals relating to pay and allowances of employees covered by the Memorandum No.2.

The scope of Remuneration Committee is to decide and approve the matters relating to performance related pay of the employees.

Code of Conduct

The Board of Directors in their meeting held on June 27, 2008 approved and adopted the Code of Conduct and Ethics ("**Code**") which is compliant with Clause 49 of the Listing Agreement. The Code is to be complied by the Directors and the senior management of the Company above the level of Deputy General Manager and is available on the website of the Company. Further, all the Directors and senior management personnel affirm compliance with the code on an annual basis. The Annual Report of the Company for the financial year 2008-09 contains a declaration to the effect of such compliance signed by the Chairman and Managing Director ("**CMD**").

Some of the important provisions of the Code *inter alia* are mentioned below:

In performing the functions as a member of the Board and/or a member of senior management team, such member:

1. shall act with utmost care, skill and diligence in a fair, reasonable and bonafide manner, maintaining high standards of integrity in all its activities and dealings in the best interest of the Company and its stakeholders;

2. shall act in an ethical manner, confirming to the accepted professional standards fulfilling the fiduciary obligations;

3. shall comply with all the applicable provisions of existing local, state, national, and international laws, the policies, procedures, rules and regulations relating to business;

4. shall be scrupulous in avoiding conflicts of interest with the Company. Any situation that involves, or may reasonably be expected to involve, a conflict of interest with the Company shall be disclosed promptly to the competent authority;

5. shall not use the information acquired or gained during the conduct of the business of the Company for personal advantage;

6. shall not seek or accept directly or indirectly any offer, payment, gift or anything of value from customers, vendors consultants etc. that could reasonably appear to have been made to influence any business decision;

7. shall not engage in making any adverse criticism of any policy or action of the Government or of the Company that is likely to prejudice the Company's business, fellow Directors, Senior Management or other staff; and

8. shall maintain the confidentiality of all information entrusted to him or that comes to him except when disclosure is authorised or is warranted by law.

Other Committees

IPO Committee

The IPO Committee was constituted by the Board in its meeting dated February 16, 2010 for exercising powers and taking decisions as may be required in the IPO process. It comprises of Mr Hemant Kumar Sharma, Mr Rajinder Singh Katoch and Mr Raghunath Prasad Singh as its members.

The terms of reference of the IPO committee include that the committee be formed with a quorum of any two (2) directors to take all decisions and approve all matters relating to the IPO as it may, in its absolute discretion, deem fit and proper in the best interest of the Company, including:

a. Timing, recommendation for pricing of the offer to the Board/ Empowered Group of Ministers ("EGoM") and terms and conditions of the offer of the shares, reservation for employees and including the price, and to accept any amendments, modifications, variations or alterations thereto;
b. Constitution/ re-constitution of committees as per the Listing Agreement of the stock exchanges;
c. Determine and recommend (as applicable) to the Board/ EGoM for the floor price/ price band for the Offer, Bid/Offer Opening Date and Bid/Offer Closing Date, Offer Price, approve the basis of allocation and confirm allocation of equity shares to various categories of persons as disclosed in the Red Herring Prospectus, Red Herring Prospectus and Prospectus, in consultation with the BRLMs and do all such acts and things as may be necessary and expedient for and incidental and ancillary to, the offer;
d. Entering into arrangements with the book running lead managers, underwriters, syndicate members, brokers, escrow collection bankers, registrars, IPO grading agency, legal advisors and any other agencies or persons whose appointment is required in relation to the IPO;
e. Issuing advertisements in such newspapers as it may deem fit and proper about the future prospects of the company and the proposed offer conforming to the guidelines and regulations issued by SEBI in this regard;
f. Opening separate current accounts with scheduled banks for receiving applications along with application monies in respect of the offer of the shares of the Company, as required;
g. Signing and executing the agreements with the book running lead manager and the registrar respectively, syndicate agreement, escrow agreement and the underwriting agreement and any other deeds, documents and agreements required in relation to the IPO;
h. Making applications to the RBI, FIPB and such other authorities, as may be required, for the purpose of the offer of shares to non-resident investors, including NRIs and FIIs pursuant to the IPO;
i. Making applications for listing of the equity shares of the Company in one or more stock exchange(s) and to execute and to deliver or arrange the delivery of the listing agreement(s) or equivalent documentation to the concerned stock exchange(s);
j. Do or authorize its officers to do all such deeds and acts as may be required to dematerialize the equity shares of the Company and to sign agreements and/or such other documents as may be required with National Securities Depository Limited ("NSDL"), Central Depository Services (India) Limited ("CDSL") and such other agencies, as may be required in this connection;
k. Finalizing the basis of allocation and allotting/ transferring the equity shares to the successful allottees and issue of share certificates/ transferring shares to demat account of successful allottees in accordance with the relevant rules;
l. Settling all questions, difficulties or doubts that may arise in relation to the IPO as it may in its absolute discretion deem fit; and
m. Submitting undertakings/certificates or providing clarifications to the SEBI and the relevant stock exchanges where the equity shares of the Company are to be listed.
n. Authorizing/delegating powers to the representatives of Company to take necessary action for the purposes of the IPO.

Empowered Committee

The Empowered Committee was constituted by the Board in its meeting dated September 15, 2008 for exercising powers delegated to it from time to time. It comprises of the CMD and the all the other whole time Directors as its members.

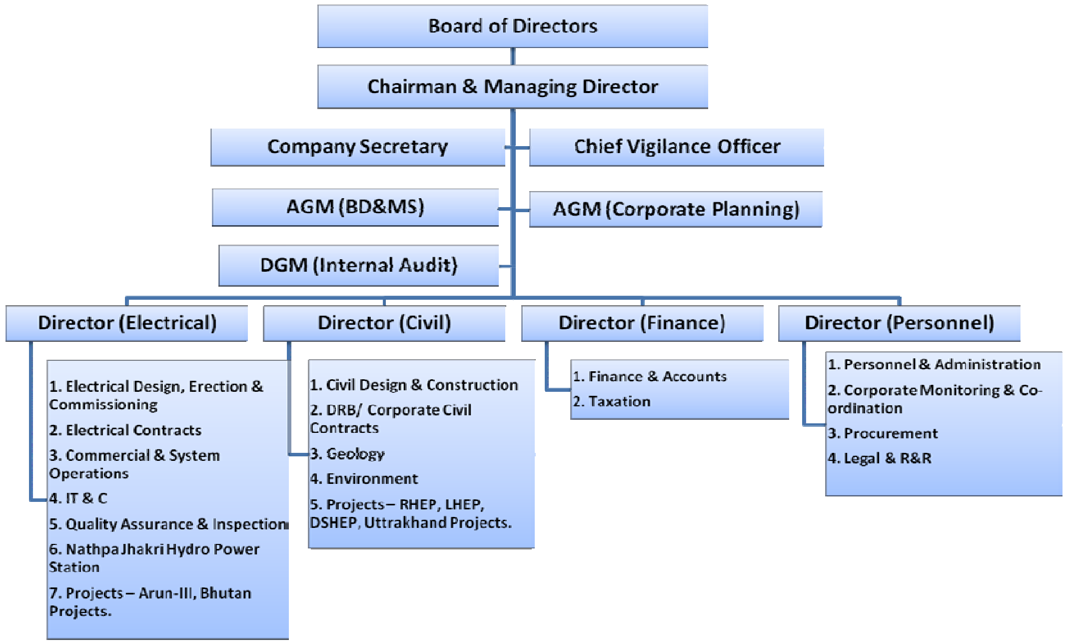
Investment Committee

The Investment Committee was constituted by the Board in its meeting dated September 13, 2004 for deciding investments of surplus funds from revenue receipts. It comprises CMD, Director (Personnel) and the Director (Finance) or, in the absence of the Director (Finance), the GM (Finance) or senior most functionary in Finance department as its members.

Sub Committee for Allotment/ Transfer of Equity Shares

The sub committee for Allotment/ Transfer of Equity Shares was initially constituted by the Board in its meeting dated December 30, 1996, for managing the allotment and transfer of Equity Shares. Thereafter, this committee has been reconstituted from time to time. The present committee was reconstituted by the Board in its meeting dated November 30, 2009 and comprises of the CMD and Director (Personnel) as its members.

Organisation Structure:



Key Managerial Employees

All of our key managerial employees are permanent employees of our Company and none of them are related to each other or to any Director of our Company.

The remuneration payable to our key managerial personnel is subject to change pursuant to Memoranda No. 1 and the Presidential Directive. Accordingly, the remuneration set forth below for each of the key managerial personnel may be revised.

Our key managerial personnel include the following:

Mr. K.C. Sadyal, an IPS Officer, 55 years, is designated as Chief Vigilance Officer ("**CVO**") in the Company. He holds a masters degree in arts (English) from Jaipur University. He has been associated with the Company since May 2005. He joined Indian Army as lieutenant in 1975. Subsequently he left the Army in 1983 and joined Indian Police Service ("**IPS**") in 1986, as HP Cadre IPS Officer. He has served as superintendent of police in four districts of Himachal Pradesh and as Deputy Inspector General ("**DIG**") of the Dharamshala range. Immediately prior to joining SJVN as CVO, he held the position of DIG, Shimla range. Later, during his service stint in SJVN, he was promoted as inspector general of police in 2007. He has been awarded with various awards like the President Meritorious Police Service award, Prime Minister Life saving award, Chief of Army Staff commendation medal, commendation certificate with cash award of Rs. 25,000 by Governor HP for protecting the interests of under privileged in the society, and was also declared as the best CVO during 2009, by the Central Vigilance Commission. Mr. K.C. Sadyal's remuneration as CVO, for the Fiscal year 2009-10 including all benefits was Rs. 1.10 million.

Mr. P. S. R. Murthy 58 years, is designated as Company Secretary. He holds a bachelors degree in commerce from Andhra University. He is a member of the Institute of Company Secretaries of India. He joined our Company as company secretary w.e.f. March 18, 1996. During his tenure, he has handled all matters regarding Company affairs. Immediately prior to joining our Company, he was holding the position of Company Secretary with Bharat Refractories Limited. Mr. Murthy's remuneration as Company Secretary for the Fiscal year 2009-10 including all benefits was Rs. 1.32 million.

Mr. R. S. Chauhan 59 years, is designated as Executive Director (Civil Design-I). He holds bachelors degree in civil engineering from Institute of Technology, Benaras Hindu University, Varanasi and masters degree in water resource development from Water Resources Development and Management, Indian Institute of Technology, Roorki. He has been associated with our Company since August 1992 (Upto February 21, .2005 on deputation basis). Prior to his current position, he held the position of General Manager (Civil Design -I) in the Company. During his tenure, he has handled several major assignments including preparation of project reports, design of desilting complex including hydraulic design, support system etc. Immediately prior to joining our Company, he was holding the position of Chief Engineer with HPSEB. Mr. Chauhans's remuneration as General Manager / Executive Director for the Fiscal year 2009-10 including all benefits was Rs. 1.13 million.

Mr. Nand Lal Sharma, 45 years, an officer of HP State Administrative Services, is working on deputation with the Company as the Executive Director (human resources). He holds a masters degree in business administration from the University of Ljublijana, Slovenia. He joined our Company as Executive Director (human resources) w.e.f. July 28, .2008. During his tenure, he has handled all corporate human resources matters. Immediately prior to joining our Company, he was holding the position of special secretary (General Administration Department and Health) and Director Ayurveda with GoHP. Mr. Sharma's remuneration as Executive Director (human resource) for the Fiscal year 2009-10 including all benefits was Rs. 0.81 million.

Mr. N. C. Bansal, 49 years, is designated as GM (Project). He holds a bachelors degree in electrical engineering from Kurukshetra University. He joined our Company as Manager w.e.f. January 18, 1995. Prior to his current position, he held the position of Assistant General Manager in the Company. During his tenure, he has handled several major assignments including works of erection and commissioning of generating plant and equipment of hydro electric power project, contract handling / management of electro mechanical packages, commercial matters regarding operation of hydro electric projects, customs clearances, rehabilitation and resettlement issues, environmental issues and finance and personnel matters. In 2009 he was awarded the Rashtriya Gaurav Award by the India International Friendship Society for outstanding leadership in the abovementioned fields. Immediately prior to joining our Company, he was holding the position of deputy manager with NTPC Limited. Mr. N.C. Bansal's remuneration for the Fiscal year 2009-10 including all benefits was Rs. 1.54 million.

Mr. R K Agarwal, 53 years, is designated as General Manager (Commercial and System Operations). He holds bachelors degree in electrical engineering from GB Pant University. He joined our Company as Senior Manager w.e.f. November 22, 1995. Prior to his current position, he held the position of general manager (electrical contract) in the Company. During his tenure, he has handled several major assignments including contract management, operation and maintenance of electrical system, erection and commissioning of power house and material management, etc. Immediately prior to joining our Company, he was holding the position of manager with THDC India Limited. Mr. Agarwal's remuneration as General Manager for the Fiscal year 2009-10 including all benefits was Rs. 1.41 million.

Mr. S C Agarwal, 49 years, is designated as general manager (Uttarakhand Projects). He holds a bachelors degree in civil engineering from BITS, Pilani. He joined our Company as manager w.e.f. March 4, 1996. Prior to his current position, was the Additional General Manager (civil contracts) in the Company. During his tenure, he has handled several major assignments including contract management, claims management, dispute resolution, extension of time analysis- arbitration, business development and project management, etc. Immediately prior to joining our Company, he was holding the position of deputy manager in NMDC Limited. Mr. Agarwal's remuneration as general manager for the Fiscal year 2009-10 including all benefits was Rs. 1.23 million.

Mr. S. P. Singh, 58 years, is designated as General Manager (Corporate Monitoring and Co-ordination). He holds a bachelors degree in mechanical Engineering from GB Pant University and a masters degree in technology from Indian Institute of Technology Kanpur. He joined our Company as Deputy General Manager w.e.f. April 9, 1996. Prior to his current position, he held the position of assistant general manager in the Company. During his tenure, he has handled several major assignments including contract and material management, project management, quality assurance and inspection, environment management, and corporate monitoring and communication. Immediately prior to joining our Company, he was holding the position of senior manager with NTPC Limited. Mr. Singh's remuneration for the Fiscal year 2009-10 including all benefits was Rs. 1.33 million.

Mr. R. K. Bansal, 49 years, is designated as General Manager (Information Technology and Computers/ Quality Assurance and Inspection). He holds a bachelors degree in mechanical engineering from MNREC (Now NIT Allahabad) and a masters in business Administration from Indian Institute of Management, Calcutta. He joined our Company as manager w.e.f April 7, 1997. Prior to his current position, he held the position of General Manager (Commercial and System Operations) in the Company. During his tenure, he has handled several major assignments including interdisciplinary expertise in commercial, corporate planning, corporate monitoring and system operation functions, liaison work with various beneficiaries, CERC, MoP, PFC and World Bank. Immediately prior to joining our Company, he was holding the position of Manager with Bharat Heavy Electrical Limited. Mr. Bansal's remuneration for the Fiscal year 2009-10 including all benefits was Rs. 1.68 million.

Mr. K. S. Malhotra, 57 years, is designated as General Manager (Finance and Accounts). He is a qualified chartered accountant. He joined our Company as General Manager (Finance and Accounts). During his tenure, he has handled all corporate financial matters. Immediately prior to joining our Company, he was holding the position of assistant general manager with THDC India Limited. Mr. Malhotra's remuneration for the fiscal year 2009-10 including all benefits was Rs. 1.10 million.

Mr Avinash Kumar, 59 years, is designated as General Manager of the Luhri Project. He holds a bachelors degree in Civil Engineering from the Regional Engineering College (now National Institute of Technology) under Kurukshetra University. He has been associated with our Company since its inception. During his tenure, he has handled several major assignments including the construction of tunnels, quality control and assurance of safety, hydrology, tunnelling and investigation. Immediately prior to joining our Company, he held the position of Safety Engineer with HPSEB. Mr Kumar's remuneration for the Fiscal year 2009-10 including all benefits was Rs. 1.0 million.

Mr Surender Pathak, 49 years, is designated as General Manager (Electrical Design). He holds a bachelors degree in electrical engineering from Maulana Azad College Institution under Bhopal University. He has been associated with our Company since June 6, 2006. During his tenure, he has handled several major assignments including maintenance of power house of NJHPS and electrical design. Immediately prior to joining our Company, he held the position of Deputy General Manager with Power Grid Corporation of India Limited. Mr Surender Pathak's remuneration for the Fiscal year 2009-10 including all benefits was Rs. 1.56 million.

Mr H.B. Sahay, 53 years, is designated as GM (Corporate Planning). He holds a bachelor of science degree in civil engineering from Bihar College of Engineering, Patna. He joined our company as Manager (Construction) in March 1996. He has a total experience of 29 years including 13 years in SJVN Limited. During his tenure, he has handled several major assignments including construction of power house and corporate planning. Immediately prior to joining the Company, he held the position of Manager (Plannign and Co-ordination) NR-I with PGCIL. Mr. H.B. Sahay's remuneration for the fiscal year 2009-10 including all benefits was Rs. 1.31 million

Mr A.K. Chadha, 52 years, is designated as GM (Geology). He holds a Masters degree in Geology from Rajasthan University. He joined our company as Deputy General Manager in June 1993. He has an experience of 31 years including 16 years in SJVN Limited. During his tenure, he has handled several major assignments including geological works of Nathpa Jhakri HEP and other projects. Immediately prior to joining SJVN Limited, he held the position of Deputy Manager (Geology) with NHPC Limited. Mr. A.K. Chadha's remuneration for the fiscal year 2009-10 including all benefits was Rs. 1.62 million.

Shareholding of the key managerial employees

None of our key managerial employees hold any Equity Shares in our Company.

Bonus or profit sharing plan for our key managerial employees

The Company has a performance linked incentive scheme in effect from April 1, 2007 called SJVN Performance Linked Incentive Scheme ("**Scheme**"). Under the Scheme the regular employees including the deputationists at the power stations, projects under construction (for which CCEA approval has been obtained) and the corporate office are entitled to incentive based on various parameters like milestones achieved, capacity index (as defined under the CERC regulations) etc. Such incentive is paid quarterly and annually. The Scheme is not applicable to any apprentices (including the apprentices under the Apprentices Act) and the casual employees. Further, the incentive amount under the Scheme is not counted towards any service benefits i.e. computation of house rent allowance, compensatory allowance, leave encashment, provident fund, pension or gratuity etc.

Changes in our key managerial employees during the last three years

The changes in our key managerial employees during the last three years prior to the date of filing this Red Herring Prospectus are as follows:

Sr. No.	Name (Mr.) / Designation	Date of appointment as Key Executive	Date of Cessation	Reason
1.	S C Padhy (General Manager, Personnel)	January 6, 2006	February 27, 2009	Resigned to join MCL as Director (Personnel)
2.	H.B Sahay	March 30, 2010	-	Promotion
3.	S. Pathak	March 30, 2010	-	Promotion
4.	Avinash Kumar	March 30, 2010	-	Promotion
5.	A.K. Chadha	March 30, 2010	-	Promotion

Employees Share Purchase Scheme/Employee Stock Option Scheme

Currently, we do not have any stock option scheme or stock purchase scheme for the employees of our Company.

Payment or benefit to officers of our Company

1 In addition to the salary employees are granted allowances of the following nature:

(a) Special Compensatory (Remote Locality) Allowance- for employees deputed to remote locations on Company work

(b) Project Allowance- to compensate employees for the lack of amenities at project sites

(c) Incentive Scheme for serving at non-family locations

(d) Nightshift Allowance

(e) Dress Code and Washing Allowance

(f) City Compensatory Allowance

(g) Non-practicing Allowance- for medical practitioners in full-time employment with SJVN

(h) Cash Handling Allowance- for employees discharging duties of Cashier and

(i) House Rent Allowance

In addition to the above, employees are also granted additional perks and benefits such as expenditure on lunch, tea, newspapers, literature, conveyance, repair and maintenance of vehicle, official travel, leave travel concession, children's education, electricity etc.

2.Leave Encashment

The employees of our Company having unavailed earned leaves at the end of a financial year are entitled to encash such leaves. A provision for leave encashment is made in the books of account on the basis of actuarial valuation certificate obtained by our Company.

3. Gratuity

The Payment of Gratuity Act, 1972 and rules thereunder are applicable to all establishments in which ten or more persons are employed. Gratuity is payable to all employees who have rendered at least five years of continuous service on the termination of his/her employment or if the employee dies or is disabled due to accident or disease even prior to the said period of 5 years. Gratuity is payable at the rate of 15 days wages for every year of completed service, with a maximum limit of 40 times the 15 day wages or Rs. 350,000. For the purpose of gratuity, wages means all emoluments which are earned by an employee while on duty or on leave in accordance with the terms and conditions of his employment and which are paid or are payable to him in cash and includes dearness allowance but does not include any bonus, commission, house rent allowance, overtime wages and any other allowance.

We have constituted the Satluj Jal Vidyut Nigam Gratuity Fund as an irrevocable trust made solely for the provision of gratuity to our employees. The fund is managed by a board of trustees appointed by the Company including a representative of the Finance and Personnel wings of the Company. We have made provisions in our books of account as on December 31, 2009 for gratuity payment liability based on actuarial certificate, which quantifies the gratuity liability for 997 employees at Rs. 155,130,193**.**

4.Employees Provident Funds

The Employees Provident Funds and Miscellaneous Provisions Act, 1952 provides for three different schemes for the benefit of workers, namely, the provident fund scheme, the pension scheme and the deposit linked insurance scheme.

a. *The Provident Fund Scheme*

This scheme is applicable to all employees and contract labour of establishments employing twenty or more persons. Under the said scheme, the employer is required to contribute 12% of basic wages, dearness allowance and retainer allowance.

b. *The Pension Scheme*

This scheme is applicable to all establishments covered by the said act and the employer is required to contribute up to 8.33% of the wages of the employee.

c. *Deposit Linked Insurance Scheme*

This scheme is also applicable to all establishments covered by the said act and employers are required to make contributions in this behalf at the prescribed rates.

We have been making regular PF payments.

5 Employee Insurance

We have the following insurance policies in place for the welfare of the employees:

i. Group Insurance Scheme- this scheme provides insurance coverage to employees in case of death of the employees during the tenure of their service at SJVN. The premium for this insurance scheme is payable by the Company and is inclusive of the insurance coverage to be provided by the Company under the Employees Deposit Linked Insurance Scheme, 1976 prescribed under the Employees Provident Funds and Miscellaneous Provisions Act, 1952

ii. Group Personal Accident Insurance Scheme- this scheme provides insurance coverage to the employees in the event of all types of personal injuries to employees at all times, all locations, irrespective of whether the employee is in the duty of the Company or not and independent of any cause. The premium for this insurance scheme is payable by the Company.

iii. SJVN Employees (Self Contributory) Superannuation Scheme- This scheme, provides the employees with a pension in the event of death, retirement, leaving the service, death during the service.The premium is payable by the employees under this scheme.

iv. SJVN Employees (Self Contributory) Group Saving Linked Insurance Scheme- Under this scheme, LIC provides the employees with insurance coverage in the event of the death, resignation or the retirement of the employee. The premium is payable by the employees under this scheme.

v. SJVN Employees Death Relief Scheme- this scheme provides for compensation to the families of those SJVN employees who die of natural causes while in the employment of the company. The benefits accrue to the nominee of the member employee who receives an amount equivalent to one day’s salary (basic + DA) of all the employees who are the members of the scheme along with a matching contribution by the Company. This scheme is not be applicable in case of accidental death which is covered by Group Personal Accident Insurance Scheme.

vi. SJVN Employees (Housing Building Advance) Group Insurance Scheme- Under this scheme, the Company pays the premium to LIC for insuring the housing building advance availed by the employees from the Company. In the event of death of the employee, LIC remits back the outstanding house building advance taken as loan by the employee to the Company.

Arrangements and Understanding with major shareholders, customers, supplies or others as to the Appointment of Key Managerial Personnel as the director or member of senior management

We do not have any arrangements or understanding with our major shareholders, customers, supplies or others as to the appointment of Key Managerial Personnel as the director or member of senior management.

OUR PROMOTERS

Our Promoters are the President of India acting through the MoP, GoI and the Governor of Himachal Pradesh. Our majority Promoter, the GoI (including through nominees) currently holds 74.50% of the paid-up share capital and will continue to hold majority of the post-Offer paid-up capital of our Company. The Governor of Himachal Pradesh (including through nominees) currently holds the remainder 25.50% of the paid-up share capital of the Company.

DIVIDEND POLICY

The declaration and payment of dividends on our equity shares will be recommended by our Board and approved by our shareholders, at their discretion, and will depend on a number of factors, including but not limited to our profits, capital requirements and overall financial condition. For the dividend and dividend tax paid by our Company during the last five Fiscal years Please refer to the section titled "**Financial Information**" on page F-25

The amounts paid as dividends in the past are not necessarily indicative of our dividend policy or dividend amounts payable, if any, in the future.

Pursuant to the terms of our loan agreements with some of our lenders, we cannot declare or pay any dividend to our shareholders during any financial year unless we have paid all the dues to the respective lenders or paid or have made satisfactory provisions thereof or if we are in default of the terms and conditions of such loan agreements.

RELATED PARTY TRANSACTIONS

For details of the related party transactions, see section titled ***"Financial Statements-Statement of Related Party Transactions"*** on page F-1.

SECTION V – FINANCIAL INFORMATION

AUDITORS' REPORT ON RESTATED FINANCIAL STATEMENTS

To,
The Board of Directors,
SJVN Limited,
Himfed Building,
New Shimla 171 009

Dear Sirs,

We have examined the restated financial information of SJVN Limited *(formerly - Satluj Jal Vidyut Nigam Limited)* ("the Company") described below in A and B and annexed to this report, stamped and initialled by us for identification, which has been prepared in accordance with the requirements of paragraph B(1) of Part II of Schedule II to the Companies Act, 1956 ("the Act"), the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (the "SEBI-ICDR Regulations") notified on August 26, 2009, the Guidance Note on Reports in Company Prospectuses (Revised) issued by the Institute of Chartered Accountants of India ("ICAI") and terms of engagement agreed upon with you in connection with the Proposed Initial Public Offering of Equity Shares ("the Offer").

These financial information relating to the Company are proposed to be included in the Offer Document of the Company in connection with the proposed Offer and have been approved by the Board of Directors.

These restated financial information have been extracted from audited financial statements of the Company as at and for the nine months period ended December 31, 2009 and years ended March 31, 2009, March 31, 2008, March 31, 2007, March 31, 2006 and March 31, 2005 which have been approved/adopted by the Board of Directors/Members for the respective years. Audits of the financial statements as at and for the years ended March 31, 2009 and March 31, 2008 were conducted by M/s R. Bansal & Co., Chartered Accountants, as at and for the year ended March 31, 2007 by M/s Raj Gupta & Co., Chartered Accountants**,** and as at and for the years ended March 31, 2006 and March 31, 2005 by M/s Pandey Dua & Mathur, Chartered Accountants, being the auditors of the Company for the respective periods, and accordingly reliance has been placed on the financial statements audited and reported upon by them for the said period.

A. Financial Information as restated on the basis of Audited Financial Statements:

We have examined:

a) the attached restated Statement of Assets and Liabilities as at December 31, 2009, March 31, 2009, March 31, 2008, March 31, 2007, March 31, 2006 and March 31, 2005 (Annexure-I);

b) the attached restated Statement of Profits and Losses for nine months ended December 31, 2009 and for the years ended March 31, 2009, March 31, 2008, March 31, 2007, March 31, 2006 and March 31, 2005 (Annexure-II);

c) the attached restated Statement of Cash Flows for nine months ended December 31, 2009, and for the years ended March 31, 2009, March 31, 2008, March 31, 2007, March 31, 2006 and March 31, 2005 (Annexure-III);

together referred to as the "Restated Summary Statements".

The Restated Summary Statements for the above period were examined to the extent practicable, for the purpose of audit of financial information in accordance with the Auditing and Assurance Standards issued by the Institute of Chartered Accountants of India. Those Standards require that we plan and perform our audit to obtain reasonable assurance, whether the financial information under examination is free of material misstatement.

Based on the above, we report that in our opinion and according to the information and explanations given to us, we have found the same to be correct and the same have been accordingly used in the Restated Summary Statements appropriately.

We further report that :

1 The Restated Summary Statements have been made after making such adjustments and regroupings as in our opinion are appropriate and are subject to the notes to accounts attached to and forming part of the Restated Summary Statements as Annexure-IV of this report.

2 The impact of changes in accounting policies adopted by the Company as at the end of nine months ended December 31, 2009 have been adjusted with retrospective effect in the attached Restated Summary Statements.

3 The Restated Summary Statements of the Company have been prepared after incorporating adjustments for the material amounts in the respective financial years to which they relate.

4 There are no qualifications in the auditor's reports which remain to be adjusted in the restated summary statements, except the comments/ qualifications mentioned in Annexure-IV-E, which is to be read with Significant Accounting Policies and Significant Notes to Accounts.

5 There are no extra-ordinary items in any of the financial statements that need to be disclosed separately in the Restated Summary Statements.

B. Other Financial Information:

We have also examined the following other financial information relating to the Company, prepared by the Management and approved by the Board of Directors for the purpose of inclusion herein :

a) Statement of Sundry Debtors (Annexure-V)
b) Statement of Loans and Advances Given (Annexure-VI)
c) Statement of Accounting Ratios (Annexure-VII)
d) Statement of Capitalization (Annexure-VIII)
e) Statement of Changes in Share Capital (Annexure- IX)
f) Statement of Other Income (Annexure-X)
g) Statement of Dividend Declared (Annexure-XI)
h) Statement of Tax Shelters(Annexure-XII)
i) Statement of Secured Loans (Annexure-XIII)
j) Statement of Unsecured Loans (Annexure-XIV)
k) Statement of Related Party Transactions (Annexure-XV).
l) Statement of Reserves & Surplus (Annexure-XVI)

In respect of the years ended March 31, 2005 to March 31, 2009, these information have been included based upon the reports submitted by previous auditors, for respective years and relied upon by us.

In our opinion, the financial information and other financial information of the Company as attached to this report, as mentioned in paragraphs (A) and (B) above, read with significant accounting policies and notes to accounts (Annexure – IV), and after making such adjustments as were considered appropriate, have been prepared in accordance with paragraph B(1), Part II of Schedule II of the Act and the SEBI-ICDR Regulations, as amended from time to time. Our work has been carried out in accordance with the auditing standards generally accepted in India and as per the Guidance Note on Reports in Company Prospectuses (Revised) issued by the ICAI.

This report should not in any way be construed as a reissuance or redating of the previous audit report by the other firms of Chartered Accountants nor should this be construed as a new opinion on any of the financial statements referred to herein.

We did not perform audit tests for the purposes of expressing an opinion on individual balances or summaries of selected transactions, and accordingly, we express no such opinion thereon.

We have no responsibility to update our report for events and circumstances occurring after the date of the report.

This report is intended solely for your information and for inclusion in the offer documents in connection with the proposed public offering of equity shares of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For **Hingorani M & Co.**
Chartered Accountants

(Pradeep Kumar)
Partner
Membership No.: 085630
Firm Registration No: 006772N

Place: New Delhi
Date: April 13, 2010

Annexure I

RESTATED STATEMENT OF ASSETS AND LIABILITIES

(Rs. million)

Particulars	As at Dec 31, 2009	As at March 31, 2009	2008	2007	2006	2005
A. FIXED ASSETS						
Gross Block	86,229.3	85,725.2	83,998.1	81,370.9	79,414.6	79,653.4
Less: Depreciation	15,472.2	12,183.6	10,340.8	7,883.3	5,425.7	3,605.6
Net Block	**70,757.1**	**73,541.6**	**73,657.3**	**73,487.6**	**73,988.9**	**76,047.8**
Capital Works In Progress	7,361.7	5,636.4	2,554.0	1,529.2	944.0	560.3
Advances for Capital Works	1,922.3	1,559.9	615.5	173.5	307.6	245.3
Construction Stores and Spares	6.1	6.3	6.6	135.8	19.6	7.9
Net Block (including capital work in progress)	**80,047.2**	**80,744.2**	**76,833.4**	**75,326.1**	**75,260.1**	**76,861.3**
B. INVESTMENTS	-	-	-	-	-	-
C. DEFFERED TAX ASSET (NET)						
Deferred Tax Asset	3,012.4	2,663.6	(22.3)	1,798.3	1,151.8	616.5
Less: Payable to Beneficiaries	3,012.4	2,663.6	(22.3)	1,798.3	1,151.8	616.5
-	-	-	-	-	-	-
D. CURRENT ASSETS, LOANS & ADVANCES						
Inventories	611.5	558.5	536.3	587.1	625.5	337.2
Sundry Debtors	2,660.4	3,645.5	3,169.6	2,508.3	7,578.9	3,332.2
Cash and Bank Balances	14,871.5	12,714.4	6,936.0	6,210.4	1,333.5	3,427.7
Other Current Assets	401.8	825.7	335.5	228.8	33.8	32.5
Loans and Advances	6,210.5	4,624.6	6,633.8	5,605.2	4,346.7	2,224.5
	24,755.7	22,368.7	17,611.2	15,139.8	13,918.4	9,354.1
E. LIABILITIES AND PROVISIONS						
Secured Loans	11,305.1	13,075.1	17,109.3	21,868.3	26,828.4	31,371.5
Unsecured Loans	6,393.7	8,349.3	3,091.5	3,373.7	3,998.9	4,945.5
Income Received in Advance (AAD)	8,493.5	8,493.5	6,491.1	4,488.7	2,526.6	538.7
Current Liabilities	4,118.9	4,995.3	5,447.1	3,386.2	3,356.2	2,718.8
Provisions	6,741.5	7,434.2	5,389.5	4,747.4	3,637.0	1,845.8
	37,052.7	42,347.4	37,528.5	37,864.3	40,347.1	41,420.3
F. SHARE APPLICATION MONEY	**167.0**	-	-	-	-	-
NET WORTH (A+B+C+D-E-F)	**67,583.2**	**60,765.5**	**56,916.1**	**52,601.6**	**48,831.4**	**44,795.1**
G. SHARE CAPITAL	**41,088.1**	**41,088.1**	**41,088.1**	**41,088.1**	**41,088.1**	**41,088.1**
H. RESERVES & SURPLUS	**26,495.1**	**19,677.4**	**15,828.0**	**11,513.5**	**7,743.3**	**3,707.0**
NET WORTH (G+H)	**67,583.2**	**60,765.5**	**56,916.1**	**52,601.6**	**48,831.4**	**44,795.1**

Notes:

There are no Revaluations Reserves/revaluations carried, so no adjustments are required.

The accompanying accounting policies & notes on accounts are an integral part of these statements.

Annexure II

RESTATED STATEMENT OF PROFITS & LOSSES

(Rs. million)

Particulars	For the nine months ended Dec 31, 2009	For the Year Ended 31st March				
		2009	2008	2007	2006	2005
INCOME						
Sales (Net)*	14,231.0	14,907.8	13,567.5	14,094.6	10,623.6	12,775.0
Other Income	869.0	1,440.6	1,055.3	667.1	2,885.8	674.2
Total	**15,100.0**	**16,348.4**	**14,622.8**	**14,761.7**	**13,509.4**	**13,449.2**
EXPENDITURE						
Generation , Administration and Other Expenses	1,099.1	1,775.1	1,498.7	1,383.3	1,248.2	1,049.2
Depreciation	3,259.9	2,342.3	2,399.2	2,456.1	2,325.6	2,182.8
Interest and Finance Charges	1,396.2	2,205.5	2,546.9	3,229.8	3,415.3	4,075.4
Total	**5,755.2**	**6,322.9**	**6,444.8**	**7,069.2**	**6,989.1**	**7,307.4**
PROFIT BEFORE TAX	**9,344.8**	**10,025.5**	**8,178.0**	**7,692.5**	**6,520.3**	**6,141.8**
Provision for Taxation						
Income Tax						
- Current Tax	1,591.1	2,425.5	1,002.4	1,185.5	659.4	242.3
Fringe Benefit Tax						
- Current Year	-	6.7	6.4	7.1	6.5	-
Wealth Tax	-	0.1	0.1	0.1	0.1	-
	1,591.1	2,432.3	1,008.9	1,192.7	666.0	242.3
Deferred Tax	348.9	2,685.9	1,820.6	646.4	535.3	616.5
Less: Recoverable/Payable	348.9	2,685.9	1,820.6	646.4	535.3	616.5
	-	-	-	-	-	-
Total Provision for Taxation	**1,591.1**	**2,432.3**	**1,008.9**	**1,192.7**	**666.0**	**242.3**
PROFIT AFTER TAX	**7,753.7**	**7,593.2**	**7,169.1**	**6,499.8**	**5,854.3**	**5,899.5**
Balance brought forward from last Year	19,677.4	15,828.0	11,513.5	7,743.3	3,707.0	(562.9)
Total available for Appropriation	27,431.1	23,421.2	18,682.6	14,243.1	9,561.3	5,336.6
APPROPRIATIONS						
Dividend						
- Interim	800.0	1,100.0	1,360.0	666.7	-	341.4
- Proposed	-	2,100.0	1,080.0	1,683.3	1,594.3	1,090.2
Total Dividend	**800.0**	**3,200.0**	**2,440.0**	**2,350.0**	**1,594.3**	**1,431.6**
Corporate Tax on Dividend						
- Interim	136.0	186.9	231.1	93.5	-	45.1
- Proposed	-	356.9	183.5	286.1	223.7	152.9
Total Tax on Dividend	**136.0**	**543.8**	**414.6**	**379.6**	**223.7**	**198.0**
BALANCE CARRIED TO BALANCE SHEET	**26,495.1**	**19,677.4**	**15,828.0**	**11,513.5**	**7,743.3**	**3,707.0**

* Tariff Adjustment and Advance Against Depreciation has been netted from Sales.
The Accompanying Accounting Policies and notes on accounts are an integral part of these statements.
There are no Extra Ordinary items.

Annexure III

RESTATED STATEMENT OF CASH FLOWS

(Rs. million)

		As at 31st Dec 2009	As at March 31, 2009	2008	2007	2006	2005
A.	**CASH FLOW FROM OPERATING ACTIVITIES**						
	Net Profit Before Tax, Prior Period Adjustments and Extra Ordinary Items	**9,344.8**	**10,025.5**	**8,178.0**	**7,692.5**	**6,520.3**	**6,141.8**
	Adjustment for:						
	Advance Against Depreciation	-	2,002.4	2,002.4	1,962.1	1,987.9	538.7
	Depreciation	3,259.9	2,342.3	2,399.2	2,456.1	2,325.6	2,182.8
	Interest & Finance Charges	1,396.2	2,205.5	2,546.9	3,229.8	3,415.3	4,075.4
	Exchange rate variation/Fluctuation Adjustment account	-	(97.1)	(118.1)	52.0	(52.7)	235.0
	Rebate to Customers	(177.7)	(168.9)	(213.6)	(289.3)	(162.9)	(198.4)
	Debt/Stores written off	-	-	-	0.1	0.3	-
	Loss on Sale of Assets	-	-	-	0.4	0.3	-
	Operating Profit before Working Capital Changes	**13,823.2**	**16,309.7**	**14,794.8**	**15,103.7**	**14,034.1**	**12,975.3**
	Adjustment for:						
	Trade and Other Receivables	985.0	(475.9)	(661.3)	5,070.6	(4,246.7)	(3,212.7)
	Inventories	(53.0)	(22.2)	50.8	38.4	(288.3)	564.1
	Trade Payables and Other Liabilities	(876.4)	(451.8)	2,060.9	30.0	637.4	(239.9)
	Provisions	173.0	91.8	1,632.7	892.6	1,855.6	286.4
	Loans and Advances	(136.2)	2,994.9	(108.7)	(1,258.5)	(2,122.2)	(1,229.5)
	Other Current Assets	423.9	(490.2)	(106.7)	(195.0)	(1.3)	31.1
		20.1	1,646.6	2,867.7	4,578.1	(4,165.5)	(3,800.5)
	Cash generated from operations	14,339.5	17,956.3	17,662.5	19,681.8	9,868.6	9,174.8
	Taxes paid	(1,449.7)	(2,664.6)	(1,203.9)	(934.3)	(453.9)	(254.2)
	Net cash flow from Operating Activities-A	**12,889.8**	**15,291.7**	**16,458.6**	**18,747.5**	**9,414.7**	**8,920.6**
B.	**CASH FLOW FROM INVESTING ACTIVITIES**						
	Net Expenditure on Fixed Assets & CWIP, Advance for Capital Works & Construction Stores/Spares etc.	(2,562.7)	(6,247.0)	(4,602.4)	(2,560.8)	(1,523.7)	(882.4)
	Net cash used in Investing Activities – B	**(2,562.7)**	**(6,247.0)**	**(4,602.4)**	**(2,560.8)**	**(1,523.7)**	**(882.4)**
C.	**CASH FLOW FROM FINANCING ACTIVITIES**						
	Share Capital including share application money pending allotment	167.0	-	-	-	-	633.0
	Repayment of Long Term Borrowings	(5,110.0)	(4,752.4)	(5,735.6)	(5,791.2)	(5,489.7)	(2,481.2)
	Interest & Finance Charges Paid	(1,218.5)	(1,939.5)	(2,215.2)	(2,940.5)	(3,252.4)	(3,877.0)
	Proceeds from Borrowings	1,384.4	5,976.0	380.7	-	-	675.1
	Dividend	(2,900.0)	(2,180.0)	(3,043.3)	(2,261.0)	(1,090.2)	(341.4)
	Tax on Dividend	(492.9)	(370.4)	(517.2)	(317.1)	(152.9)	(45.2)
	Net Cash flow from Financing Activities – C	**(8,170.0)**	**(3,266.3)**	**(11,130.6)**	**(11,309.8)**	**(9,985.2)**	**(5,436.7)**
	Net Increase/Decrease in Cash and Cash equivalents (A+B+C)	**2,157.1**	**5,778.4**	**725.6**	**4,876.9**	**(2,094.2)**	**2,601.5**
	Cash and cash equivalents (Opening balance)	**12,714.4**	**6,936.0**	**6,210.4**	**1,333.5**	**3,427.7**	**826.2**
	Cash and cash equivalents (Closing balance)	**14,871.5**	**12,714.4**	**6,936.0**	**6,210.4**	**1,333.5**	**3,427.7**

Notes:

4. Cash and cash equivalents consist of cash in hand and bank balances.
5. The Previous year's figures have been regrouped/re-arranged/re-casted wherever necessary.

The Accompanying Accounting Policies and notes on accounts are an integral part of these statements.

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS, AS RESTATED:

A. Significant accounting policies:

1. SYSTEM OF ACCOUNTING

1.1 The financial statements are prepared according to the historical cost convention on accrual basis and in line with the fundamental accounting principles of prudence, consistency and materiality except when otherwise stated.

1.2 All figures are in Rupees million except otherwise stated and have been rounded off to the first decimal.

2. STATEMENT OF COMPLIANCE

The financial statements are prepared on the basis of generally accepted accounting principles in India and the provisions of The Companies Act, 1956.

3. FIXED ASSETS

3.1 Fixed Assets are stated at historical cost less accumulated depreciation and any impairment in value. Where final settlement of bills with contractors is pending/under dispute, capitalization is done on estimated/provisional basis subject to necessary adjustment in the year of final settlement.

3.2 Fixed Assets created on land not belonging to the Company are included under Fixed Assets.

3.3 Capital expenditure on assets not owned by the Company is reflected as a distinct item in Capital Work-in-Progress / Fixed Assets.

3.4 Payments made provisionally towards compensation and other expenses relatable to land are treated as cost of land.

3.5 Expenditure incurred for compensatory afforestation, soil conservation and re-forestation towards forest land is shown as "Intangible Assets-Expenditure on compensatory afforestation" and is amortized pro-rata through depreciation over the period of likely use.

3.6 Assets and systems common to more than one generating unit are capitalized on the basis of engineering estimates/assessments.

3.7 Construction equipments declared surplus are shown at lower of book value and net realisable value.

4. MACHINERY SPARES

4.1 Machinery spares procured along with the Plant & Machinery or subsequently and whose use is expected to be irregular are capitalized and depreciated fully over the residual useful life of the related plant and machinery except as stated as para 4.2.

4.2 Cost / WDV of Machinery Spares are fully charged to revenue in the year in which such spares are replaced except in cases where retrieved spares have useful life after repairs.

4.3 Other spares forming part of inventory are expensed when consumed.

5. CAPITAL WORK-IN-PROGRESS

5.1 In respect of supply-cum-erection contracts, the value of supplies received at site/construction store and accepted is treated as Capital Work-in-Progress.

5.2 Administration and Other General Overhead expenses at the Corporate Office and Projects under Construction / Survey & Investigation attributable to construction of fixed assets are identified and allocated on systematic basis on major immovable assets other than land, infrastructure and bought out items on commissioning of Projects. However, no allocation of such expenses pertaining to Corporate Office is made on projects taken on BOOT (Build, Own, Operate & Transfer) basis till the date of grant of generation license.

5.3 Expenditure on Survey and Investigation of the Projects is carried as capital work in progress and capitalized as cost of Project on completion of construction of the Project or the same is expensed in the year in which it is decided to abandon such project.

5.4 Expenditure against "Deposit Works" is accounted for on the basis of statement of account received from the concerned agency and acceptance by the Company. However, the provision is made wherever considered necessary.

5.5 Claims for price variation /exchange rate variation in case of contracts are accounted for on acceptance.

6. DEPRECIATION AND AMORTISATION

6.1 Depreciation is charged on straight-line method to the extent of 90% of the Cost of Asset following the rates notified by the Central Electricity Regulatory Commission (CERC) for the purpose of fixation of tariff. In respect of assets, where rate has not been notified by regulations by the CERC, depreciation is provided on straight line method at the rates corresponding to the rates laid down under the Income Tax Act, 1961, except in case of computers and peripherals where it is depreciated at 25% p.a.

6.2 Depreciation is provided on pro rata basis from the month in which the asset becomes available for use.

6.3 Depreciation on assets declared surplus/obsolete is provided till the end of the month in which such declaration is made.

6.4 Assets costing Rs. 5000/- or less are depreciated fully in the year of procurement.

6.5 Expenditure on software is recognized as 'Intangible Asset' and amortized fully over four years.

6.6 Where the cost of depreciable assets has undergone a change during the year due to increase/decrease in long term liability on account of exchange fluctuation, change in duties or similar factors, the revised unamortized balance of such assets is depreciated prospectively over the residual life. Depreciation on increase/decrease in the value of existing assets on account of settlement of disputes is charged retrospectively.

6.7 Capital Expenditure referred to in Policy No. 3.3 is amortized over a period of four years starting from the year in which the first unit of the project comes into commercial operation and thereafter from the year in which the relevant asset becomes available for use. However, such expenditure for community development in case of projects under operation is charged off to revenue.

6.8 Leasehold land is amortized pro-rata through depreciation over the period of lease.

6.9 Expenditure on Catchment Area Treatment (CAT) Plan during construction is capitalized along with dam. Such expenditure during O&M stage is charged to revenue in the year of incurrence of such expenditure.

7. INVESTMENTS

7.1 Long Term Investments are valued at cost less provision for permanent diminution in value.

7.2 Current Investments are valued at lower of cost and fair value.

8. INVENTORIES

8.1 Inventories are valued at the lower of cost arrived at on weighted average basis and net realizable value.

8.2 Loose tools issued during the year are charged to consumption.

8.3 Stores issued for operation and maintenance but lying unused at site are treated as part of inventory.

9. FOREIGN CURRENCY TRANSACTIONS

9.1 Foreign currency transactions are initially recorded at the rates of exchange ruling at the date of transaction. Monetary items denominated in foreign currency are restated at the year end at exchange rates prevailing on the Balance Sheet date.

9.2 Exchange differences, except to the extent considered as adjustment to borrowing cost as per AS-16 read with ASI-10, are recognized as income or expense in the period in which they arise in case of operating projects and to EDC in case of projects under construction. However, the differences relating to Fixed Assets/Capital Works-in-Progress arising out of transactions entered into prior to 01.04.2004 over & above those considered as borrowing cost are adjusted to the carrying cost of Fixed Assets/Capital Work-in-Progress.

10. BORROWING COSTS

Borrowing costs attributable to fixed assets during construction /renovation and modernization are capitalized. Other borrowing costs are recognized as an expense in the period in which they are incurred.

11. INCOME

11.1 Sale of energy is accounted for based on tariff approved by the Central Electricity Regulatory Commission (CERC). Recovery/refund towards foreign currency variation in respect of foreign currency loans and recovery towards income tax from beneficiaries as per CERC notification is accounted for on year to year basis.

11.2 The incentives/disincentives are accounted for based on the norms notified/approved by the Central Electricity Regulatory Commission.

11.3 Advance against depreciation, forming part of tariff to facilitate repayment of loans, is reduced from sales and considered as deferred revenue to be included in the sales in subsequent years.

11.4 The surcharge on late payment/overdue sundry debtors for sale of energy is accounted for on receipt basis or when there is reasonable certainty of realisation.

11.5 Interest recoverable on advances to contractors/suppliers and other claims from contractors/suppliers under dispute are accounted for on receipt/acceptance.

11.6 Income from consultancy services is accounted for on the basis of actual progress / technical assessment of work executed or costs reimbursable, in line with the terms of respective consultancy contracts.

12. EMPLOYEE BENEFITS

Provision for gratuity, leave encashment, leave travel concession and post retirement benefits is made on the basis of actuarial valuation at the end of financial year. Provident fund liability is accounted for on accrual basis.

13. MISCELLANEOUS

13.1 Insurance claims are accounted for in the year of receipt /acceptance by the insurer / certainty of realisation.

13.2 Prepaid and prior period expenses/income of items of Rs. 50,000/- and below are charged to natural heads of accounts in the year of payment/receipt.

13.3 Liability for claims against the Company is recognized on acceptance by the Company / receipt of award by the Arbitrator and the balance claim, if disputed /contested by the contractor is shown as contingent liability. The claims prior to Arbitration award stage are disclosed as contingent liability.

14. TAXES ON INCOME

Taxes on income are determined on the basis of taxable income under the Income Tax Act, 1961. Income Tax is a pass-through to beneficiaries to the extent relatable to core activity i.e. Generation of electricity.

Deferred tax is recognized using the tax rates and laws enacted or substantively enacted as on the balance sheet date.

B. <u>Major changes in accounting policies during the years ended March 31, 2005 to March 31, 2009 and nine months ended December 31, 2009:</u>

1. Year ended March 31, 2005

(a) Miscellaneous expenses (excluding expenditure incurred in connection with catchment area treatment plans) would be written off in the year such expense was incurred, in accordance with Accounting Standard ("AS") 26 on "Intangible Assets." Previously, such expenses were amortised over a period of four years commencing in the year in which such expense was incurred.

2. Year ended March 31, 2006

(a) Expenditure on software would be amortized on a straight-line basis at 25% over a four year period commencing from the year in which such expenses were accreted/capitalized as intangible assets, in accordance with AS-26 on "Intangible Assets." Previously, such expenditures were depreciated on a straight-line basis at 16.21% per annum.

(b) Corporate office expenses (excluding expenses relating to the commercial and systems operation department, which is an operating unit) are charged to the profit and loss account and capitalized on the following basis: (i) an amount equivalent to 1% of energy sales for operational projects for the financial year would be expensed to the profit and loss account and (ii) all remaining amounts would be capitalized as capital work in progress ("CWIP") and allocated to CWIP for the respective projects under construction based on the proportion of capitalized expenses of each such project to aggregate CWIP. Previously, these were expensed and capitalized on a proportional basis calculated as the ratio of aggregate energy sales to annual capital outlay

(c) Machinery spares would be fully depreciated over the useful life of the assets to which such machinery spares related. Previously, only 95% of the value of machinery spares would be depreciated over the relevant period.

3. Year ended March 31, 2007

(a) Liability against contractor claims would be provided for upon either acceptance by the Company of the claim (or part thereof) or upon receipt of a binding arbitration award. Previously, liabilities against contractor claims were provided for only upon acceptance by the Company of the claim (or part thereof).

(b) Machinery spares would be fully depreciated in the year of issue or consumption. Previously, such machinery spares were depreciated over the useful life of the assets to which such machinery spares related.

4. Year ended March 31, 2008

(a) Expenditures relating to compensatory afforestation, soil conservation and other environmental management activities relating to forest land would be capitalized as intangible assets – expenditure on compensatory afforestation. Previously, such expenditures were capitalized against "leasehold land."

(b) Provision for expenses against advances for 'deposit works' made to state and regulatory bodies in connection with such works, would be made wherever considered necessary by the Company. Previously, such provision was made on receipt of the relevant statement of account from such state and regulatory bodies and acceptance by the Company.

(c) Depreciation has been charged following the rates notified by the Central Electricity Regulatory Commission (CERC) for the purpose of fixation of tariff/at the rates laid down under the Income-Tax Act, 1961/specified rate as against at the rates specified in Schedule-XIV of the Companies Act, 1956 retrospectively, in case of NJHPS from the date of commercial operations and for construction/investigation projects since inception.

(d) Expenditure relating to the catchment area treatment (CAT) plan during the operation of a project would be charged to revenue in the year of incurrence of the expenditure as against treating the same as deferred revenue and amortization over a period of four years commencing from the year in which the expenditure was incurred.

(e) Foreign exchange rate variations would be adjusted based on the borrowing cost for fixed assets as against adjustments to the carrying cost of such assets, in accordance with AS-11 "The Effects of Changes in Foreign Exchange Rate" and AS-16 "Borrowing Costs", as read with ASI-10 relating to interpretation of AS-16 and the notification issued by the Department of Company Affairs to the effect that AS-11 will prevail over Schedule-VI.

(f) Provision against leave travel concession/post retirement benefit would be made on the basis of actuarial valuation at the end of the year as against charging the expenditure on availing the facility.

(g) Limits for pre-paid and prior period expenses/income being charged to corresponding line items in the year of payment/receipt has been revised from Rs. 5,000/- to Rs. 50,000/-.

5. Year ended March 31, 2009

(a) To recognize Machinery Spares retrieved, which are suitable for reuse, and depreciate the same over the useful remaining life of asset. Earlier, such Machinery Spares were not recognized as reusable.

(b) To identify Administration and Other General overhead expenses at the Corporate Office attributable to construction of fixed assets of Projects under Construction/Survey & Investigation stage, and allocate these on systematic basis (in ratio of salaries) to various projects, as against allocating common Corporate office expenses on basis of: 1% of Sales for operational projects charged to revenue and remaining charged to Capital Work in Progress.

C. Impact of changes in the accounting policies, material adjustments, prior period items and extra ordinary items:

S.N.	Particulars	For nine months ended Dec. 31, 2009	For the Year Ended March 31				
			2009	2008	2007	2006	2005
	Profit after tax as per audited statements of accounts	7771.4	10,153.2	7,645.1	7,327.1	4,982.1	2,984.3
	Adjustment on account of						
A	**Change in the Accounting Policies/Methods**						
	Allocation of Administrative and other general expenditure of Corporate office	-	-	(106.5)	(6.5)	(1.7)	59.1
	Capital Spares	(17.1)	(9.8)	81.9	530.6	(134.2)	(121.5)
	CAT Plan	-	21.9	16.7	(9.6)	8.7	1.3
	Prior Period/ Prepaid Expenses	-	-	0.2	-	(0.1)	(0.1)
	Depreciation Rate (CERC vs Companies Act)	-	-	(5,069.3)	1,569.7	1,469.9	1,409.4
	Total	(17.1)	12.1	(5,077.0)	2,084.2	1,342.6	1,348.2
B	**Material Adjustments**						
	Sales	-	(2,144.9)	1,172.9	(73.0)	(1,130.5)	2,542.5
	Insurance claim for loss of profit	-	-	(2,366.8)	-	2,366.8	-
	Insurance claim for damage	(1.9)	-	(228.1)	210.0	20.0	-
	Advance against Depreciation	-	(556.9)	(108.8)	320.0	307.0	38.7
	Interest on Arbitration	-	370.9	377.4	(260.8)	(260.8)	(226.5)
	Interest to Beneficiaries	-	557.9	(42.5)	(211.8)	(20.7)	(282.9)
	Interest from Beneficiaries	-	(1,065.3)	103.4	194.9	318.6	448.4
	Total	(1.9)	(2,838.3)	(1,092.5)	179.3	1,600.4	2,520.2
C	**Prior Period Adjustment**	1.3	(7.3)	5,505.2	(2,783.7)	(1,813.3)	(1,056.0)
D	**Income Tax Relating to Earlier Years**	-	273.5	188.3	(261.7)	(212.0)	11.9
E	**Qualification of Statutory Auditors**						
	Restructuring premium of PFC loan	-	-	-	(45.4)	(45.5)	90.9
F	**Total (Impact of Adjustments)**	(17.7)	(2,560.0)	(476.0)	(827.3)	872.2	2,915.2
	Adjusted Profit After Tax	7,753.7	7,593.2	7,169.1	6,499.8	5,854.3	5,899.5

D. Notes on adjustments carried out:

1. Prior Period Items

Certain items of income/expenses have been identified as prior period items, which have been shown as adjustments in respective years to which these pertain. In the Restated Financials, such prior period items have been adjusted in respective years. Similarly, Income Tax relating to earlier years in Profit & Loss account has been reallocated to respective years.

2. Accounting of Insurance Claims

The company filed a claim with the insurance company for loss of profit due to flash floods during the year 2005-06. As per the accounting policy, the claim amount of Rs.2,366.8 million was accounted for during the year 2007-08, on acceptance by the insurers. For the purpose of restatement, the insurance claim has been appropriately accounted for in the respective year of loss. Similarly, the claim for damage to plant & machinery/other works has also been accounted for in the year the expenditure on restoration for damages to plant & machinery/other works has been incurred.

3. Final Tariff Order for Sale of Energy

During the year 2008-09, final tariff order for the period 2004-05 to 2008-09 was received, as a result of which an amount of Rs. 1173.4 million (net) was billed as arrears for the period upto 31.03.2008 and included in Sales. For the purpose of restatement, the arrears billing has been accounted for as sales for respective years. Similarly, the interest receivable & payable on arrears has also been accounted for in the respective years.

4. Tax on Advance Against Depreciation

During the year 2008-09, the company paid/provided Current Tax (MAT) on Advance Against Depreciation (AAD) amount of Rs. 8493.5 million based on the ruling of the Authority for Advance Rulings (AAR), Ministry of Finance, Govt. of India, treating the same as Reserves. Though the AAD is not part of income and is shown in Balance Sheet as Liability under 'Income Received in Advance', the tax amount has been billed and recovered from the beneficiaries as part of tariff in accordance with CERC Regulations.

5. The company adopted Accounting Standard-15 (Revised) 'Employee Benefits' from the year 2007-08. For the purpose of restatement, AS-15 (Revised) has not been applied for the years 2004-05 to 2006-07, as AS-15 (Revised) requires prospective adjustments only.

6. Changes in Accounting Policies

i. The Accounting policy with regard to machinery spares retrieved and suitable for reuse has been modified in line with the opinion of expertly advisory committee of ICAI in year 2008-09 to fully charge the Cost / WDV of machinery spares to revenue in the year in which such spares are replaced except in cases where retrieved spares have useful life after repairs. For the purpose of restatement, effect of the same is taken in years 2007-08, 2006-07, 2005-06 and 2004-05.

ii. Due to change in accounting policy for allocation of administration and other general overhead expenses in 2008-09, the allocation for years 2007-08, 2006-07, 2005-06 and 2004-05 has been changed accordingly.

iii. (a) During the year 2007-08, the company changed its accounting policy for charging the rates of depreciation as per the rates notified by the CERC for the purpose of fixation of tariff/at the rates laid down under the Income Tax Ac, 1961/specified rates as against the rates specified in Schedule XIV of the Companies Act, 1956, retrospectively in case of NJHPS from the date of commercial operations and for construction/investigation projects since inception. For the purpose of restatement, the depreciation for earlier years written back during the year 2007-08 has been appropriately adjusted from the depreciation in the respective years.

(b) Due to change in the rates of depreciation during the year 2007-08, the company worked out Advance Against Depreciation (AAD), forming part of Tariff to facilitate repayment of loans, as per the CERC norms and reduced the same from sales. The adjustment relating to earlier years was carried out through Prior Period Adjustment Account. For the purpose of restatement, the amount of AAD has been appropriately adjusted from the sales in the respective years.

iv. During the year 2007-08, company changed its policy and started charging to revenue the expenditure on Catchment Area Treatment (CAT) Plan during O&M stage in the year of incurrence of such expenditure as against treating the same as deferred revenue and amortization over a period of four years commencing from the year in which the expenditure was incurred. For the purpose of restatement, effect of the same is taken in years 2006-07, 2005-06 and 2004-05.

v. During the year 2006-07, company changed its policy to recognize liability against claims by the contractors on acceptance by the Company/receipt of Arbitration award as against on acceptance by the Company earlier. For the purpose of restatement, effect of the same is taken in years 2005-06 and 2004-05.

vi. During the year 2007-08, company changed its policy in line with AS-11, AS-16 read with ASI-10 and Notification issued by the Department of Company Affairs that AS-11 will prevail over Schedule-VI. Accordingly, the Foreign Exchange Rate Variation was adjusted towards borrowing cost as against adjustment to the carrying cost of Fixed Assets earlier. . For the purpose of restatement, effect of the same is taken in years 2006-07, 2005-06 and 2004-05.

vii. During the year 2005-06, due to Accounting Standard (AS)-26 on 'Intangible Assets' the Company recognized software as Intangible Assets by amortizing such assets over a period of four years as against earlier policy of charging depreciation @ 16.21%. For the purpose of restatement, effect of the same is taken in year 2004-05.

viii. During the year 2007-08, company changed its policy to revise the limit from Rs.5,000/- to Rs. 50,000/- to recognize Prior period items and Prepaid expenses. For the purpose of restatement, effect of the same is taken in years 2005-06 and 2004-05.

ix. The other changes in Accounting Policies were either clarificatory in nature or have no material impact on financial statements.

x. The accounts for the year 2004-05 to 2008-09 and for the nine months ended December 31, 2009 have been restated in accordance with the Guidance Note issued by the Institute of Chartered Accountants of India ("ICAI") and other changes – adjustments referred above. The effect of changes for the financial years prior to 2004-05 has been adjusted in the Reserves & Surplus as at April 1,2004.

E. Auditors Comments/Qualifications and Treatment in Restated Financials :

Sr. No.	Financial Year ended	Auditors' Comments / Qualifications	Impact on restated financials
1.	31.03.2009 31.03.2008 31.03.2007	Determination of final value of fixed assets in cases where final settlement of bills with the contractors is pending/under dispute. The impact of adjustments is not ascertainable.	As the final settlement amount cannot be determined, no adjustments have been made in the restated financial statements.
2.	31.03.2007	Provisional insurance claim of Rs.912.9 million against expenditure on restoration activity and adjustment of on account payment of Rs.500.0 million received from the Insurance Company and allocation thereof between Prior Period and current year Generation and Administration Expenses	As the insurance claim has been settled in F.Y. 2007-08, the adjustment of the amount received has been appropriately made in the year the expenditure on restoration of damages had been incurred.
3.	31.03.2006	i).Company has lodged a claim of Rs.941.0 million with Insurance Company for loss of machinery and restoration cost etc. On account payment of Rs.500.0 million received from Insurance Company has been shown as liability in absence of item wise details of settlement of claim ii).Company has also filed a claim for loss of profit amounting to Rs.3207.860 .million which is yet to be accepted/admitted.	As the insurance claim has been settled in F.Y. 2007-08, the adjustment of the amount received has been appropriately made in the year the expenditure on restoration of damages had been incurred.
4.	31.03.2006 31.03.2005	The value of fixed assets and depreciation are subject to adjustment on final determination/recovery/Levy of LD in accordance with Contract Agreement for works for project construction.	As and when, the contracts are finally closed, the amount of LD is determined and the adjustment is made in the accounts through prior period items. All such prior period items have been adjusted in respective years.
5.	31.03.2005	Total Project cost exceeded the approved revised cost (RCE-II) of the project Rs.76,663.1 million as at June, 1998 price level with commissioning schedule of March, 2002. Revised cost estimate (RCEIII) is reported to be under approval by the Government.	Confirmatory statement and hence no restatement is required
6.	31.03.2005	The land is capitalized on provisional basis pending determination of final land value and consequential adjustment thereof. Further, part of the land acquired and the Title Deeds of the buildings are yet to be transferred/mutated/recorded in the name of the Company	Cannot be quantified, hence no adjustments have been made in the restated financials.
7.	31.03.2005	Provision has not been made for Assets declared surplus / obsolete valuing Rs.9.2 million as on the Balance Sheet date. Besides, scrap has been accounted for on realization basis.	No restatement has been made as the data regarding scrap value of such assets is not readily available. Value of scrap sold is not material to effect restatement.
8.	31.03.2005	In supply cum erection contracts, values of shipments have been accounted for on pro-rata basis on number of boxes as material in transit and CWIP on the balance Sheet date.	Values fully ascertained subsequently and necessary accounting adjustments made.
9.	31.03.2005	The liability, if any, arising on account of delay in deduction of Income Tax at source at the year end remains unadjusted pending final determination.	As the amount cannot be determined, no adjustment has been made in the restated financial statements.
10.	31.03.2005	Loans and Advances include Rs.29.5 million recoverable on account of proportionate cost of inter connection facility at Jhakri Pot head Yard which will be shared by Baspa-II HE Project (M/s. Jai Prakash Hydro Power Ltd.) for evacuation of power.	Amount recovered subsequently and necessary accounting adjustments made. No restatement required.
11.	31.03.2005	Loans and Advances include Rs.16.1 million towards amount recovered by Income Tax Department towards TDS on deposit made with High Court HP, Shimla for contesting the case of enhancement of compensation for land including interest. The Company is contesting the recovery with ITAT and High Court of HP, Shimla. The Company deducted TDS on subsequent deposits during the year, deposited the same with Income Tax Department and issued TDS Certificates in the name of joint claimants instead of individuals as required by the Income Tax Act, 1961.	As the amount cannot be determined, no adjustment has been made in the restated financial statements.
12.	31.03.2005	Sundry debtors include Rs.184.0 million on account of unrealised debtors towards sale of 12% free power belonging to Government of Himachal Pradesh. Due to pendency of mutual formal agreement and commercial terms for sale of free power on their behalf, an amount of Rs.115.9 million realized has not been paid to them as at the year end.	Amounts adjusted subsequently and necessary accounting adjustments made. No restatement required.

13.	31.03.2005	Advances for Capital works and Loans and Advances include Rs.276.4 million towards EOT claim and Rs.961.3 million towards others from contractors are on account of contractual disputes and is subject to consequential adjustment on settlement of disputes.	As and when, the disputes are settled, the amount of claims is determined and the adjustment is made in the accounts through prior period items. All such prior period items have been adjusted in respective years.
14.	31.03.2009 31.03.2008 31.03.2007 31.03.2006 31.03.2005	Although the Company has an Internal Audit department and also some of the areas got audited by a firm of Chartered Accountants, scope of work covered, reporting system, compliance thereof need to be further strengthened. Subject to above the existing internal audit system is commensurate with its size and nature of its business.	Strengthening of the internal audit system is a continuous process. This is only a statement required under CARO and does not need any restatement.
15.	31.03.2009	Undisputed statutory dues including Provident Fund, etc. have been generally deposited by the Company in time with appropriate authorities except in the cases of: iii) petty contractors' labour where P.F. Code has not been assigned by the appropriate authorities, and iv) R&D Cess tax liability of Rs.9.6 million.	Now SJVN has got sub-code issued and compliance is being made through sub-code in respect of these contractors. Matter pending settlement. Hence no restatement required.
16.	31.03.2009	There are disputed amounts of: iii) Rs.0.1 million payable in respect of excise duty (dispute pending at CESTAT), and iv) Rs. 123.6 million in respect of Service Tax (dispute pending with Commissioner, Excise & Service Tax, Chandigarh)	Since these matters are under dispute, provision / payment will be made on settlement. No restatement required.
17.	31.03.2008 31.03.2007 31.03.2006 31.03.2005	The Company is regular is depositing undisputed statutory dues including Provident Fund etc. with appropriate authorities except in the cases of petty contractors' labour where P.F. Code has not been assigned by the appropriate authorities. There is a disputed amount of Rs. 0.1 million payable in respect of excise duty payable to Department of Excise & Customs.	Now SJVN has got sub-code issued and compliance is being made through sub-code in respect of these contractors. As the matter is under dispute, provision / payment will be made on settlement. Hence, No restatement required.
18.	Nine months ended 31.12.2009	Sales have been accounted for provisionally at the tariff approved by CERC as applicable on 31.03.2009, instead of as per the new norms notified by CERC applicable with effect from. 01.04.2009, resulting in understatement of profit for nine months by Rs.413.4 Million.	No restatement has been made as the sales have been accounted for as per the Accounting Policy No. 11.1 of the company. The difference will be accounted for after the final determination of tariff by the CERC as per the new norms.
19.	Nine months ended 31.12.2009	Sale/Lease Deeds in respect of Land & Buildings valuing Rs.23.5 Million are yet to be executed in favour of the company.	Factual statement and hence no restatement is required.

F. Contingent liabilities (Rs. million)

Particulars	For nine months ended Dec. 31, 2009	For the Year Ended March 31,				
		2009	2008	2007	2006	2005
1. Claims against the company not acknowledged as Debt:						
a) Capital Works	5429.7	3442.3	8841.4	12487.8	15494.0	15613.0
b) Land Compensation	144.9	144.9	229.7	0.2	-	-
c) Disputed Service Tax Demand	123.6	123.6	-	-	-	-
d) Others	2.0	3.4	3.5	6.8	5.1	5.1
Sub Total	5700.2	3714.2	9074.6	12494.8	15499.1	15618.1
2. Estimated amount of contracts remaining to be executed on capital account (net of adv.) and not provided for:	10941.8	12529.5	8735.5	8576.7	413.0	626.3
Total	**16642.0**	**16243.7**	**17810.1**	**21071.5**	**15912.1**	**16244.4**

G. <u>Other significant notes on accounts as on December 31, 2009:</u>

1. As the generation of hydroelectric power is dependent on the flow of water which varies during various periods of the year, the results for nine months may not be representative of the full year results.
2. The revised cost estimate (RCE –III) of Nathpa Jhakri Hydro Power Station (NJHPS) has been approved by the Govt. of India at Rs. 81877.1 million. This does not include the amount of Arbitration Awards / Court Awards settled subsequently and pending settlement. The proposal for

further revision of the Cost Estimate shall be submitted to the Govt. after inclusion of the above in due course.

3. Title deeds/ title in respect of land costing Rs. 22.0 million measuring 01-18-59 hectare and buildings costing Rs. 1.5 million are yet to be executed / passed in favour of the Company. Expenses on stamp duty etc. shall be accounted for on registration.

   Possession of land measuring 01-07-76 hectare is still to be handed over to the Company.

4.
   a. As per the agreement between GoHP and the Company, Luhri Hydroelectric Project shall be executed by an SPV jointly owned by GoHP and the company. A proposal for execution of this project by the Company itself is under consideration. Pending decision on this matter/formation of SPV, expenditure of Rs. 509.0 million incurred on survey and investigation of the project has been shown as fixed assets and capital work in progress.
   b. As per letter dated 01.10.2009, GoHP has withdrawn Khab Hydroelectric Project from the company which is being contested by the company. Pending final settlement of the matter, the expenditure incurred on the project upto 31.12.2009 amounting to Rs. 126.4 million has been shown in Capital Work in Progress.

5. Central Electricity Regulatory Commission (CERC) vide notification dated 19.01.2009 has notified, the terms and conditions of tariff applicable with effect from 01.04.2009 for a period of five years. Pending filing of petition by the company and final determination of tariff by the CERC, the Company has accounted for sales of Rs.14,231.0 million for the current period at the tariff approved by CERC as applicable on 31.03.2009, as provided in the aforesaid Notification.

   The tariff for the current period, if calculated as per the terms and conditions applicable with effect from 01.04.2009, provisionally works out to Rs.14644.4 million. The difference of Rs.413.4 million will be accounted for after the final determination of tariff by CERC.

   As per the Notification, Income Tax is no more a pass-through item. However, CERC has allowed to provisionally bill the Income Tax to beneficiaries pending approval of the tariff as per new norms. Accordingly, Income Tax amounting to Rs.1443.5 million worked out on the basis of profit for the nine months ended 31.12.2009 has been included in sales, out of which an amount of Rs.1199.1 million has already been billed to beneficiaries and the remaining amount of Rs.244.4 million is yet to be billed.

6. The aforesaid CERC notification also provides for the rates of depreciation for the tariff period 2009-14. The rates of depreciation as notified by CERC are to be used for the purpose of tariff as well as accounting. There is no provision for AAD in the said Regulations. Depreciation charge for the current nine months is higher by Rs. 1,599.5 million due to the revision of rates of depreciation from 01.04.2009.

7. Leave Salary/Pension Contribution in respect of employees on deputation has been paid /provided on the basis of provisional demand received from the lending organizations. The difference, if any will be adjusted on receipt of final demand.

8. Some claims of the contractors and counter claims of the Company are under various stages of dispute/settlement. Although, the liability has been recognized in terms of Accounting Policy No. 13.3, there is no certainty about the amounts which may become finally payable to/receivable from the contractors. In view of this uncertainty, deductions towards Income Tax shall be made on final settlement with the contractors.

9. Pending approval of the Competent Authority, provisional payments made towards executed quantities of some of the items beyond approved quantities as also for extra items, are included in Capital Works-in Progress.

10. Some of the balances shown under advances, deposits, creditors, and materials in transit/materials lying with third parties are subject to confirmation, reconciliation and consequential adjustments, if any.

11. In the opinion of the management, the value of current assets, loans and advances, on realization in the ordinary course of business, will not be less than the value at which these are stated in the Balance Sheet.

12. At the Annual General Meeting of the company, held on 10.09.2009, the shareholders approved:

    i) the sub-division of each fully paid-up equity share of Rs. 1000/- of the company into one hundred fully paid-up equity shares of Rs. 10/- each, and
    ii) change in the name of the company from 'Satluj Jal Vidyut Nigam Limited' to 'SJVN Limited'.

13. Provision for Employee benefits under AS-15 for the current period has been made on the basis of Actuarial valuation obtained for the financial year 2008-09.

14. Segment reporting:
    As the Company is primarily engaged in only one segment viz. "Generation and sale of hydroelectric power", there are no reportable segments as per Accounting Standard 17.

15. The Company's significant leasing arrangements are in respect of operating leases of premises for residential use of employees, offices, guesthouses & transit camps. These leasing arrangements, which are not non-cancellable, are usually renewable by mutual consent on mutually agreeable terms. The Schedule of Employees remuneration and benefits include Rs. 10.4 million towards lease payments, net of recoveries, in respect of premises for residential use of employee. Lease payments in respect of premises for offices, guest house & transit camps are shown as Rent / Hiring charges under Schedule of Generation, Administration and other expenses / Expenditure during Construction (EDC).

16. Impairment of Assets - Accounting Standard (AS) - 28
    There is no indication of any significant impairment of assets during the current period.

17. Pending implementation of Wage Revision of employees with effect from 01.01.2006/01.01.2007, a provision of Rs. 134.1 million for the nine months ended 31.12.2009 inclusive of Performance Related Pay (PRP) has been made and included in employee cost.

    Similarly an amount of Rs. 79.7 million for nine months ended 31.12.2009 towards provision for retirement benefits has been made and included in the employee cost.

18. All figures are in Rupees million except otherwise stated and have been rounded off to the first decimal.

Annexure V

DETAILS OF SUNDRY DEBTORS

(Rs. million)

Particulars	As at Dec 31, 2009	As at March 31,				
		2009	2008	2007	2006	2005
Unsecured (Considered good) :						
- Outstanding for period exceeding six months	-	-	-	11.7	-	5.0
- Others	2,660.4	3,645.5	3,169.6	2,496.6	7,578.9	3,327.2
Total	**2,660.4**	**3,645.5**	**3,169.6**	**2,508.3**	**7,578.9**	**3,332.2**

Note: There is no amount due from Promoters and Directors included in Sundry Debtors.

Annexure VI

DETAILS OF LOANS AND ADVANCES GIVEN

(Rs. million)

Particulars	For the Nine months ended Dec 31, 2009	For the Year Ended as at March 31,				
		2009	2008	2007	2006	2005
Loans to Employees						
- Secured	47.1	89.2	82.1	66.0	61.8	62.6
- Unsecured(considered good)	63.6	20.3	10.7	9.1	13.8	8.3
- Considered doubtful	-	-	-	-	-	-
Advances recoverable in cash or in kind or for value to be received						
a) Contractors & Suppliers						
- Unsecured (considered good)	574.0	572.3	1,048.0	1,188.2	1,182.2	1,424.6
- Considered doubtful	1.0	1.0	1.0	0.9	0.9	0.9
Less: Provision for doubtful advances	(1.0)	(1.0)	(1.0)	(0.9)	(0.9)	(0.9)
b) Govt. Depts. for Deposit Works	348.1	232.5	96.2	-	-	-
Less: Provision for Expenditure	(82.4)	(82.8)	(28.8)	-	-	-
c) Employees[including imprest unsecured](considered good)	24.3	13.7	13.8	11.1	11.3	10.6
d) Others						
- Unsecured (considered good)	19.3	58.2	156.8	137.6	266.3	113.3
- Considered doubtful	0.7	0.7	0.4	-	-	-
Less: Provision for doubtful advances	(0.7)	(0.7)	(0.4)	-	-	-
e) Recoverable from Insurance Company	-	-	2,574.4	2,366.8	2,366.8	-
e) Security Deposit with:						
- Government Departments	27.1	8.4	8.6	8.7	8.7	5.9
- Deposits for Works	-	-	-	97.6	108.7	36.8
- Others	0.7	0.6	0.6	0.5	0.4	0.4
f) Prepaid Expenses	37.7	4.3	1.0	174.6	179.3	148.4
g) Deferred Foreign Currency Fluctuation Assets	238.6	248.5	201.7	-	-	-
h) Advance Tax and TDS	4,866.4	3,416.7	2,431.0	1,511.1	117.7	390.1
i) Interest Accrued on Staff Advances:-						
- Secured	45.8	36.8	34.4	29.5	26.5	21.0
- Unsecured (considered good)	0.2	5.9	3.3	4.4	3.2	2.5
Total	6,210.5	4,624.6	6,633.8	5,605.2	4,346.7	2,224.5

Annexure VII

ACCOUNTING RATIOS

(Rs. million)

S.No.	Key Ratios	For the Nine months ended Dec 31, 2009	For the Year Ended March 31				
			2009	**2008**	**2007**	**2006**	**2005**
A.	**Earning Per Share (Rs.)***						
	Basic	**1.89**	**1.85**	**1.74**	**1.58**	**1.42**	**1.45**
	Diluted	**1.89**	**1.85**	**1.74**	**1.58**	**1.42**	**1.45**
B.	**Return on Net Worth (%)**	**11.47%**	**12.50%**	**12.60%**	**12.36%**	**11.99%**	**13.17%**
C.	**Net Assets Value per Share (Rs.)**	**16.45**	**14.79**	**13.85**	**12.80**	**11.88**	**10.90**
D.	**Total number of shares outstanding**						
	at the beginning of the year	4,108,814,000	4,108,814,000	4,108,814,000	4,108,814,000	4,108,814,000	4,025,514,000
E.	**Total number of shares outstanding**						
	at the end of the year	4,108,814,000	4,108,814,000	4,108,814,000	4,108,814,000	4,108,814,000	4,108,814,000
F.	**Weighted Average number of Equity**						
	Shares used as denominator						
	Basic	4,108,896,510	4,108,814,000	4,108,814,000	4,108,814,000	4,108,814,000	4,077,074,822
	Diluted	4,108,896,510	4,108,814,000	4,108,814,000	4,108,814,000	4,108,814,000	4,077,074,822

*Face value of Rs 10/-

Notes:

The Ratios have been computed as follows:

Earnings Per Share (Rs.): $\frac{\text{Net Profit after Tax}}{\text{Weighted average number of equity Shares outstanding at the end of the year}}$

Return on Net Worth (%): $\frac{\text{Net Profit after Tax}}{\text{Net Worth Equity excluding revaluation reserve/ Capital Grant received against Fixed Assets}}$

Net Asset Value per share (Rs): $\frac{\text{Net Worth Equity excluding revaluation reserve/Capital Grant received against Fixed Assets}}{\text{No. of Equity Shares outstanding at the end of the Year.}}$

Annexure VIII

CAPITALISATION STATEMENT

(Rs. million)

Particulars	Pre Issue as at Dec 31, 2009	Post Issue **
Debt:		
a) Short-term Debt	235.1	235.1
b) Long-term Debt	17,463.7	17,463.7
Total Debt:	17,698.8	17,698.8
Shareholders Funds		
a) Equity Share Capital	41,088.1	41,366.2*
b) Reserves & Surplus	26,495.1	26,626.4
Total Shareholders Funds	67,583.2	67,992.6
Less: Miscellaneous Exp. to the extent not written-off	-	-
Net Worth	67,583.2	67,992.6
Long-term Debt/Equity Ratio #	0.26 :1	0.26 :1

*On April 13, 2010, the Company has allotted 27,812,500 equity shares of Rs. 10 each to GoHP at a premium of 4.72 on preferential basis, pursuant to the special resolution passed by members of the Company in its extra ordinary general meeting held on Apr 13, 2010.

** Since it is an offer for sale of Equity Shares by the Selling Shareholder, there will be no change in the capitalisation subsequent to this Offer.

The Long Term Debt/Equity Ratio has been computed as under:

Long Term Debt/Equity Ratio: Long term debt/Total shareholders funds

Notes

1. Short Term Debt is considered as debt having original repayment term not exceeding 12 months.
2. Long Term Debt is considered as debt other than short term debt, as defined above.

The figures disclosed above are based on the restated financial statements of the Company.

3. Annexure IX

STATEMENT OF CHANGES IN SHARE CAPITAL

(Rs. million)

Particulars	As at Dec 31, 2009	As at March 31,				
		2009	2008	2007	2006	2005
Share Capital						
Authorised Share Capital						
No. of Equity Shares of Rs. 10 each (In Million)	7,000	4,500	4,500	4,500	4,500	4,500
Amount	70,000	45,000	45,000	45,000	45,000	45,000
Issued, Subscribed & Paid Up						
No. of Equity Shares (in Million) at the beginning of the year	4,108.8	4,108.8	4,108.8	4,108.8	4,108.8	4,025.5
Add: Bonus Shares (in Million)	-	-	-	-	-	-
Add: Fresh Issue of Equity Shares (in Million)	-	-	-	-	-	83.3
No. of Equity Shares at the end of the year (in Million)	4,108.8	4,108.8	4,108.8	4,108.8	4,108.8	4,108.8
Amount	41,088.1	41,088.1	41,088.1	41,088.1	41,088.1	41,088.1

* Face value of equity shares has been sub divided from Rs. 1000/- per share to Rs. 10/- per share during the Nine months ended Dec 31, 2009. Accordingly, face value of equity share and the number of shares have been restated for earlier years.

Annexure X

DETAILS OF OTHER INCOME

(Rs. million)

Particulars	For the Nine Month ended Dec 31, 2009	For the Year Ended as at March 31,					Nature (Recurring / Non Recurring)	Related/ Non Related to Business
		2009	2008	2007	2006	2005		
Consultancy Works								
Receipts	-	8.4	15.8	-	2.1	2.5	Recurring	Related
Less: Expenditure	-	(2.8)	(6.1)	-	(0.9)	(1.2)		
Interest From:								
Banks	812.8	1,186.5	751.3	431.6	170.6	167.6	Recurring	Related
Employees	5.0	6.5	5.4	5.2	5.2	4.9	Recurring	Related
Contractors	0.3	0.1	0.4	0.1	-	0.1	Non Recurring	Related
Interest from Customers	-	12.2	103.4	194.9	318.6	448.4	Non Recurring	Related
Others	6.1	-	-	4.8	4.6	9.7	Non Recurring	Related
Interest on Income Tax Refund	-	7.6	-	-	-	-	Non Recurring	Related
Less: Refundable to Customers	-	(7.6)	-	-	-	-	Non Recurring	Related
Surcharge on Late Payment from Customers	-	43.2	1.0	1.1	-	-	Recurring	Related
Receipt of Maintenance of Inter Connection Facility	10.0	12.6	11.9	10.9	10.3	9.7	Recurring	Related
Profit on Sale of Fixed Assets	0.3	7.4	1.1	0.2	0.2	0.1	Non Recurring	Related
Sale of Scrap	2.1	(1.4)	3.5	-	-	0.2	Recurring	Related
Miscellaneous Income	12.3	47.2	23.9	18.3	8.3	32.2	Non Recurring	Related
Claim from Insurance Company for loss of profit	-	-	-	-	2,366.8	-	Non Recurring	Related
Foreign Currency Fluctuation Adjustment (Credit)	20.1	120.7	143.7	-	-	-	Non Recurring	Related
Total	**869.0**	**1,440.6**	**1,055.3**	**667.1**	**2,885.8**	**674.2**		
% of Other Income to Profit before Tax	**9.3%**	**14.4%**	**12.9%**	**8.7%**	**44.3%**	**11.0%**		

Annexure XI

DETAILS OF DIVIDEND DECLARED

(Rs. million)

Particulars	For the Nine months ended Dec 31, 2009	For the Year Ended March 31				
		2009	2008	2007	2006	2005
Equity Share Capital						
Face Value (Rs.) *	10	10	10	10	10	10
No. of Shares	4,108,814,000	4,108,814,000	4,108,814,000	4,108,814,000	4,108,814,000	4,108,814,000
Rate of Dividend (%)						
Interim	1.95%	2.68%	3.31%	1.62%	-	0.83%
Final	-	5.11%	2.63%	4.10%	3.88%	2.65%
Amount of Dividend						
Interim	800.0	1,100.0	1,360.0	666.7	-	341.4
Final	-	2,100.0	1,080.0	1,683.3	1,594.3	1,090.2
Corporate Dividend Tax	136.0	543.8	414.6	379.6	223.7	198.0

* Face value of equity shares has been sub divided from Rs. 1000/- per share to Rs. 10/- per share during the Nine months ended Dec 31, 2009. Accordingly, face value of equity share and the number of shares have been restated for earlier years.

Annexure XII

STATEMENT OF TAX SHELTERS

(Rs. million)

Particulars	For the Year Ended as at March 31,				
	2009	2008	2007	2006	2005
Restated profit before Tax (A)	**10,025.5**	**8,178.0**	**7,692.5**	**6,520.3**	**6,141.8**
Tax Rate (%)	33.99%	33.99%	33.66%	33.66%	36.59%
Notional Tax on Restated Profits	**3,407.7**	**2,779.7**	**2,589.3**	**2,194.7**	**2,247.3**
Adjustments :					
Permanent Differences :					
Tax on Lease Perquisites debited in P/L	1.0	-	-	-	-
Tax Holiday Claim u/s 80 IA	(11,078.3)	(5,566.4)	(10,105.6)	(6,592.2)	(3,591.8)
Expenses disallowed u/s 37	-	20.6	3.7	(20.6)	(1.9)
Prior Period Adjustments(net)	-	-	-	179.2	-
Deduction u/s 80G	-	-	-	-	(5.3)
Adjustment on Account of Restatement	-	-	-	-	-
Total Permanent Difference (B)	**(11,077.3)**	**(5,545.8)**	**(10,101.9)**	**(6,433.6)**	**(3,599.0)**
Timing Differences :					
Diff. between Book & Tax Depreciation	(640.3)	(321.2)	1,829.2	1,007.7	982.0
Misc Expenditure (Diff in Tax & P&L)	(0.8)	(0.8)	(0.8)	(0.8)	5.4
Retirement Benefits - Disallowed u/s 43B	43.2	9.1	26.3	2.3	-
Expenses disallowed /s 40 (ia)	13.6	(0.3)	0.3	-	-
Interest on Income Tax refund	7.6	-	-	-	-
Interest from Bank taken in IEDC	-	-	-	5.2	-
Adjustment for brought forward Losses/unabsorbed depreciation(utilized)/created	-	-	-	-	(459.1)
Adjustment on Account of Restatement	2,833.5	664.3	565.6	(1,084.2)	(2,903.3)
Total Timing Difference (C)	**2,256.7**	**351.1**	**2,420.6**	**(69.9)**	**(2,374.9)**
Net Adjustment (B+C)	**(8,820.6)**	**(5,194.7)**	**(7,681.3)**	**(6,503.5)**	**(5,973.9)**
Tax Shelter	**2,998.1**	**1,765.7**	**2,585.5**	**2,189.1**	**2,185.9**
Taxable Income as per Income Tax Return (D=A+B+C)	**1,204.9**	**2,983.3**	**11.2**	**16.8**	**167.9**
Tax as per Income Tax Return u/s 115 JB (MAT)					
Tax rate u/s 115 JB	11.33%	11.33%	11.22%	8.42%	7.84%
Total Tax as per Return	**2,424.6**	**1,002.4**	**929.1**	**470.7**	**240.8**

Annexure XIII

STATEMENT OF SECURED LOANS

(Rs. million)

Name of Lender	Loan Sanctioned	Outstanding as at Dec 31, 2009	Rate of Interest	Repayment Terms
Power Finance Corporation Ltd. ##	11,180.0	5,590	8.52%	Ten years tenure, repayable in 40 quarterly instalments with effect from 15-Jan-2005.
Power Finance Corporation Ltd. ##	3,200.0	1,600.0	10.66%	Ten years tenure, repayable in 40 quarterly instalments, with effect from 15-Jan-2005.
REC Ltd. ##	4,569.0	2,141.7	9.00%	Eight years tenure, repayable in 32 quarterly instalments, with effect from 10-Oct-2005.
LIC of India #	4,210.0	1,973.4	9.31%	Eight years tenure, repayable in 32 quarterly instalments, with effect from 1-Oct-2005.
Total		**11,305.1**		

Note : All loans secured by equitable mortgage/hypothecation of all present & future fixed assets and book debts of NJHPS as first charge ranking *pari passu* with charge already created subject to negative lien on the equipment financed under unsecured foreign currency loans.

The borrower shall not prepay the outstanding principal amount of the loan in full or in part , before the due dates except after obtaining the prior approval of the lender (which may be granted conditionally)

The borrower shall not prepay the outstanding principal amount of the loan in full or in part , before the due dates except after conversion right is exercised in full, or has lapsed and after obtaining the prior approval of the lender (which may be granted conditionally)

Annexure XIV

STATEMENT OF UNSECURED LOANS

(Rs. million)

Name of Lender	Loan Drawn	Outstanding as at Dec 31, 2009	Rate of Interest	Repayment Terms
Guaranteed by Govt. of India				
World bank (IBRD)	4752.6	4,780	LIBOR + variable spread	Fifteen years tenure, repayable in 30 half yearly instalments, with effect from 15-May-2013.
Kreditanstalt fur Wiederaufbau, Germany	2386.5	148.0	6.64%	Twelve years tenure, repayable in 21 half yearly instalments. with effect from 31-Jan-2000
Eksportfinans , Norway	1056.1	334.0	5.95%	Twelve years tenure, repayable in 24 half yearly instalments, with effect from 31-Jul.2000.
Eksportfinans , Norway	148.5	37.0	5.95%	Twelve years tenure, repayable in 24 half yearly instalments, with effect from 31-Jul.2000.
Nordic Investment Bank, Finland	557.5	278.7	LIBOR+ 0.6%	Twelve & half years tenure, repayable in 25 half yearly instalments, w.e.f.28-Oct.2002.
Banque Nationale De paris,France	1513.2	580.9	6.60%	Ten years tenure, repayable in 20 half year instalments, with effect from 30-Sep-2002.
Total		**6,158.6**		
Short term Rupee Loans from Banks				
HDFC Bank Ltd, New Delhi	427.6	235.1	4.90%	Demand Loan
Total		**235.1**		
Total Unsecured Loans		6,393.7		

Note: There are no loans from Promoters and Directors included in Unsecured Loans.

Annexure XV

STATEMENT OF RELATED PARTY TRANSACTIONS

I - Key management Personnel:

2004-05

I	Sh. Y.N. Apparao	Chairman & Managing Director
II	Sh. Tarun Kapoor	Director (Personnel)
III	Sh. H.K Sharma	Director (Civil)

2005-06

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I	Sh. Y.N. Apparao	Chairman & Managing Director (Up to 31.05.2005)
II	Sh. H.K Sharma	Chairman & Managing Director (with effect from 18.07.2005)
III	Sh. Tarun Kapoor	Director (Personnel) (Upto 22.05.2005)
IV	Sh. M.S. Sharma	Director (Finance) (Upto 01.12.2005)
V	Sh. R.D. Prabhakar	Director (Electrical) (with effect from 30.11.2005)

2006-07

I	Sh. H.K Sharma	Chairman & Managing Director
II	Sh. Tarun Kapoor	Director (Personnel) (Up to 22.05.2006)
III	Sh. R.S. Katoch	Director (Personnel)(with effect from 25.09.2006)
IV	Sh. J.K. Sharma	Director (Civil) (with effect from 14.06.2006)
V	Sh. K.K. Garg	Director (Finance) (with effect from 07.05.2007)
VI	Sh. R.D. Prabhakar	Director (Electrical)

2007-08

I	Sh. H.K Sharma	Chairman & Managing Director
II	Sh. R.S. Katoch	Director (Personnel)
III	Sh. J.K. Sharma	Director (Civil)
IV	Sh. K.K. Garg	Director (Finance)
V	Sh. R.D. Prabhakar	Director (Electrical) (Up to 31.10.2007)
VI	Sh. R.P. Singh	Director (Electrical) (with effect from 01.11.2007)

2008-09

I	Sh. H.K Sharma	Chairman & Managing Director
II	Sh. R.S. Katoch	Director (Personnel)
III	Sh. J.K. Sharma	Director (Civil)
IV	Sh. K.K. Garg	Director (Finance)
V	Sh. R.P. Singh	Director (Electrical)

Nine Months ended December 31, 2009

I	Sh. H.K Sharma	Chairman & Managing Director
II	Sh. R.S. Katoch	Director (Personnel)
III	Sh. J.K. Sharma	Director (Civil) (Up to 09.04.2009)
IV	Sh. K.K. Garg	Director (Finance) (Up to 03.11.2009)
V	Sh. R.P. Singh	Director (Electrical)

II - Remuneration to Key Management Personnel:

(Rs. Million)

Particulars	For the nine months ended Dec 31, 2009	For the Year Ended March 31,				
		2009	2008	2007	2006	2005
Salaries & Allowances	5.30	6.40	5.00	2.30	2.03	1.60

Contribution to Provident Fund & family pension fund	0.40	0.40	0.40	0.20	0.12	0.10
Gratuity	0.50	0.60	0.10	0.10	0.60	0.20
Other Benefits	0.50	0.40	0.50	0.50	0.58	0.70

Note: Whole time Directors were also allowed the use of staff cars including for private journeys on payment in accordance with stipulations of the Department of Public Enterprises.

III - Amount of dues outstanding from Key Management Personnel:

Particulars	As at Dec 31, 2009	As at March 31,				
		2009	2008	2007	2006	2005
Loan & Advances to Directors	0.20	6.40	5.00	2.30	2.03	1.60

IV - Transactions with Key Management Personnel:

Particulars	For the Nine months ended Dec 31 , 2009	For the Year Ended March 31,				
		2009	2008	2007	2006	2005
Assets Purchased/retained by Ex Directors/their depend -ants on their retirement/death under buy back scheme	-	-	0.10	0.10	0.40	-

Annexure XVI

STATEMENT OF RESERVES AND SURPLUS

(Rs. Million)

Particulars	As at Dec 31, 2009	As at March 31,				
		2009	2008	2007	2006	2005
Reserves & Surplus						
Profit & Loss Account	26,495.1	19,677.4	15,828.0	11,513.5	7,743.3	3,707.0
Total	**26,495.1**	**19,677.4**	**15,828.0**	**11,513.5**	**7,743.3**	**3,707.0**

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN INDIAN GAAP, U.S. GAAP AND IFRS

The summarized financial information and financial statements included in this Red Herring Prospectus have been prepared in accordance with the requirements of the Companies Act and accounting principles generally accepted in India which differ in certain respects from the accounting principles generally accepted in the United States and from the International Financial Reporting Standards ("IFRS").

The following table summarizes significant differences between Indian GAAP, U.S. GAAP and IFRS, insofar as they affect financial information reported in this Red Herring Prospectus. The summary below should not be construed to be exhaustive as no attempt has been made to quantify the effects of those differences, nor has a complete reconciliation of Indian GAAP, U.S. GAAP and IFRS been undertaken. Had any such quantification or reconciliation been done by our management, other potential significant accounting and disclosure differences may have come to our attention which have not been identified below.

Potential investors should consult their own professional advisors for an understanding of the principal differences between the Indian GAAP, U.S. GAAP and IFRS and how these differences might affect the financial statements of our Company as given in this Red Herring Prospectus.

Particulars	Indian GAAP	U.S. GAAP	IFRS
Format and content of financial statements	Entities are required to present balance sheets, profit and loss accounts and, if listed or proposing listing, cash flows for two years together with accounting policies, schedules and notes. Format for presentation of financial statements is as prescribed by the relevant statute.	Entities are required to present balance sheets, income statements, comprehensive income statements, statements of shareholders' equity, cash flows together with accounting policies and notes to the financial statements for a period of two years. Public Companies are required to attach the aforesaid statements for a period of three years except the balance sheet for the third year. No specific format is mandated. Generally items are presented on the face of the balance sheet in decreasing order of liquidity. Income statement items may be presented using a single-step or a multiple step format. Expenditure must be presented by function.	Entities are required to present balance sheets, income statements, statements of changes in equity, cash flows and notes, comprising a summary of significant accounting policies and other explanatory notes for a period of two years.
Changes in Accounting policies	Any change in an accounting policy which has a material effect should be disclosed. The impact of, and the adjustments resulting from such change, if material, should be shown in the financial statements of the period in which such change is made, to reflect the effect of such change. Where the effect of such change is not ascertainable, wholly or in part, the fact should be indicated. If a change is made in the accounting policies which has no material effect on the financial statements for the current period, but which is reasonably expected to have a material effect in later periods, the fact of such change should be appropriately disclosed in the period in which the change is adopted.	Any change in an accounting policy should be accounted for retrospectively, with comparative information restated and the amount of the adjustment relating to prior periods adjusted against the opening balance of retained earnings of the earliest year presented. An exemption applies when it is impracticable to change comparative information.	Any change in an accounting policy should be accounted for retrospectively, with comparative information restated and the amount of the adjustment relating to prior periods adjusted against the opening balance of retained earnings of the earliest year presented. An exemption applies when it is impracticable to change comparative information

Particulars	Indian GAAP	U.S. GAAP	IFRS
Revenue Recognition - Interest	Interest income is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.	Interest income is recognized using the effective interest method.	Interest income is recognized using the effective interest method.
Prior Period Items	Adjust the error or omission in the period in which it is discovered and corrected with appropriate disclosure.	Material prior period errors are corrected retrospectively in the first financial statements issued after their discovery.	Material prior period errors are corrected retrospectively in the first financial statements issued after their discovery.
Extraordinary items	Extraordinary items of such size and nature that requires separate disclosure to explain the performance of the entity are disclosed separately, net of income taxes, on the face of the income statement or in the notes, provided the total of all such items are shown on the face of the income statement. Exceptional items are usually shown on the face of the income statement or in the notes to the financial statements.	Disclosure of individual extraordinary items; including gains or losses from the early extinguishments of debt, if material, net of taxes, is made either on the face of the income statement or in the notes to the financial statements, provided the total of all such items is shown on the face of the income statement. Disclosure of tax impact is either on the face of the income statement or in the notes to financial statements.	The concept of extraordinary items does not exist .
Foreign exchange translation	AS-11 "The Effects of Changes in Foreign Exchange Rates" deals with accounting for foreign exchange transactions. Transactions in foreign currency are recorded at the exchange rate prevailing on the date of the transaction. Monetary items are restated at year-end exchange rates. Exchange differences arising on transactions and translation of monetary items are recognized as income or expense in the year in which they arise. Foreign exchange losses that relate to foreign borrowings incurred to finance an asset are treated as a part of borrowing cost and are capitalized subject to exercise of the option by the entity only up to April 1, 2011. Translation differences arising on a monetary item that, in substance, forms part of an enterprise's net investment in a non-integral foreign operation should be accumulated in a foreign currency translation reserve in the enterprise's financial statements until the disposal of the net investment, at which time they should be recognized as income or as expenses. Translation of foreign operations integral to the reporting enterprise requires foreign exchange gains or losses to be recognized in the income statement.	Gains or losses arising from foreign currency transactions are included in determining net income. For the purposes of consolidating a foreign subsidiary, its financial statements are translated into the parent's reporting currency. Assets and liabilities are translated using the balance sheet rate of exchange. Amounts in the income statements are translated using the weighted average rate for the period. Translation differences that arise are reported in a separate component of shareholders' equity. The concept of capitalization of exchange fluctuations, arising from foreign liabilities incurred for acquiring fixed assets does not exist.	Gains or losses arising out of foreign exchange translation differences are required to be included in the determination of net income, unless these differences are regarded as an adjustment to interest costs, which are eligible for capitalization as borrowing costs on fixed assets. For the purposes of consolidating a foreign subsidiary, its financial statements are translated into the parent's reporting currency. Assets and liabilities are translated using the balance sheet rate of exchange. Amounts in the income statements are translated using the weighted average rate for the period. Translation differences that arise are reported in a separate component of shareholders' equity. The concept of capitalization of exchange fluctuations, arising from foreign liabilities incurred for acquiring fixed assets does not exist

Particulars	Indian GAAP	U.S. GAAP	IFRS
Deferred Taxation	Deferred taxes are required to be provided for the tax effect of timing differences between taxable income and accounting income using substantively enacted tax rates. Deferred tax assets arising due to unabsorbed depreciation or carry forward of losses are recognized only to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Other deferred tax assets are recognized and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.	Deferred tax liabilities and assets are recorded for the tax effect of temporary differences between the carrying amount and tax base of assets and liabilities and operating loss carry-forwards, at currently enacted tax rates, expected to be in force when the temporary differences reverse. Changes in tax rates are reported in the income statement in the period of enactment. A valuation allowance is made against deferred taxes if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realized.	Deferred income taxes are recognized for the future tax effects of temporary differences between the carrying amount and tax base of assets and liabilities and operating loss carry-forwards, at the enacted or substantively enacted tax rates. Deferred tax assets and liabilities must be recognized regardless of when the temporary difference is likely to reverse. Deferred tax assets must be recognized when it is probable that sufficient taxable profits/ reversible differences will be available against which the deferred tax assets can be utilized.
Proposed dividend	Proposed dividends are recognized in the financial statements in the period to which they relate, even if they are subject to shareholders' approval.	Proposed dividends are disclosed in the notes to the financial statements.	Proposed dividends are disclosed in the notes to the financial statements.
Employee Benefits/Retirement Benefit	Long term employee benefits are accounted for on actuarial valuation basis. Actuarial gains/ losses are fully recognized in the year they accrue.	Long term employee benefits are accounted for on actuarial valuation basis. Actuarial gains/ losses are subject to corridor approach and actuarial gains/ losses beyond the corridor are recognized over the average working life of the employees.	Long term employee benefits are accounted for on actuarial valuation basis. Actuarial gains/ losses are subject to corridor approach and actuarial gains/ losses beyond the corridor are recognized over the average working life of the employees. However, immediate recognition of actuarial gains and losses is permitted through other comprehensive income.
Depreciation	Depreciation is generally charged at rates prescribed by the Companies Act. These rates are the minimum rates, and companies are permitted to charge depreciation at higher rates, in order to write off the cost of assets over their useful lives, if shorter.	Depreciation is provided in a systematic and rational manner over the estimated useful economic life of the assets.	The depreciable amount of an item of property, plant and equipment is allocated on a systematic basis over its useful life.
Off-balance sheet items	Contingencies are possible obligations whose outcome will be confirmed only on the occurrence or nonoccurrence of uncertain future events outside the entity's control. It can also be a present obligation that is not recognized because it is not probable that there will be an outflow of economic benefits or the amount of the outflow cannot be reliably measured. Contingent liabilities are disclosed unless the probability of outflows is remote. Determination of liability mainly driven by Law.	Securities Exchange Commission registrants are required to provide extensive disclosures of material off-balance sheet items, contingent liabilities and financial guarantees. Commitments and contingencies are required to be disclosed. A possible obligation whose outcome will be confirmed only on the occurrence or nonoccurrence of uncertain future events outside the entity's control. It can also be a present obligation that is not recognized because it is not probable that there will be an outflow of economic benefits, or the amount of the outflow cannot be reliably measured. Contingent liabilities are disclosed unless the probability of outflows is remote.	Contingencies are possible obligations whose outcome will be confirmed only on the occurrence or nonoccurrence of uncertain future events outside the entity's control. It can also be a present obligation that is not recognized because it is not probable that there will be an outflow of economic benefits or the amount of the outflow cannot be reliably measured. Contingent liabilities are disclosed unless the probability of outflows is remote. Determination of liability mainly driven by constructive obligations.

Particulars	Indian GAAP	U.S. GAAP	IFRS
Fair values of financial instruments	Financial assets and liabilities are recognized and carried at cost. There is a requirement of disclosure of fair value, in few cases.	Financial assets and liabilities are recognized at fair value and carried at fair value or at amortized cost, depending upon the category of financial assets and liabilities.	Financial assets and liabilities are recognized at fair value and carried at fair value or at amortized cost, depending upon the category of financial assets and liabilities.

FINANCIAL INDEBTEDNESS

Set forth below is a brief summary of the Company's borrowings outstanding as on December 31, 2009:

(In Rs. Million)

S. No.	Nature of Borrowing	Amount
1.	Unsecured Borrowings	6,158.6
2.	Secured Borrowings	11,305.1
	Total	**17,347.5**

A. Unsecured Borrowings of the Company:

Set forth below is a brief summary of our outstanding unsecured borrowings amounting to Rs 6,158.6 Million as of December 31, 2009. All our unsecured borrowings are foreign currency borrowings which have been sanctioned to us in foreign currencies. As of December 31, 2009, approximately 36.1% of our aggregate indebtedness is denominated in foreign currencies. Further all these loans have been guaranteed by the President of India. Moreover, except the World Bank loan which has been obtained for financing RHEP, all other unsecured loans have been obtained for financing NJHEP.

S. No.	Name of Lender(s)	Nature/ date of Loan	Currency	Original Amount Sanctioned (In Rs. Million)	Amount Outstanding as on December 31, 2009 (in Rs. Million)	Interest rate (%) p.a.	Repayment terms
1.	KfW [1], Germany	Export credit vide loan agreement dated July 13, 1994	Euro	2,386.5	148.0	6.635%	21 consecutive instalments payable semi annually and commencing from 31.01.2000
2.	Eksportfinans[2(b)], Norway	Export credit vide loan agreement dated July 13, 1994	NOK	1,056.1	334.0	5.950%	24 consecutive instalments payable semi annually and commencing from 31.07.2000
			USD	148.5	37.0		
3.	NIB[2], Finland	Line of Credit vide loan agreement dated August 2, 1994 as amended by addendum dated May 4, 2000	USD	557.5	278.7	Variable rate of interest for each interest period equal to the sum of margin plus LIBOR.	25 consecutive instalments payable semi annually and commencing from 28.10.2002
4.	BNP Paribas[3], Paris, France	Export credit vide loan agreement dated August 30, 1996 and the amendments thereto dated February 7, 1997, May 11, 1997 and June 21, 2001	Euro	1,513.2	580.9	6.600%	20 consecutive instalments payable semi annually and commencing from 30.09.2002

5.	World Bank[4], USA	External Assistance vide loan agreement dated January 15, 2008	USD	4,752.6	4,780.0	LIBOR plus variable spread	30 consecutive instalments payable semi annually and commencing from 15.05.2013
	Total				**6,158.6**		

Notes:

1. (a) *The borrower shall not forgo the disbursement of the loan without prior written consent of KfW, Germany;*

   (b) *Cross default under loan facility with another foreign lender gives KfW, Germany the right to terminate if the same is not rectified within 30 days following a demand from KfW, Germany;*

   (c) *The borrower shall not pledge, mortgage or sell the equipment either in whole or in part throughout the duration of this loan agreement without KfW, Germany's prior consent; and*

   (d) *Prior consent of KfW, Germany required by the borrower for reduction in capital, merger, reorganisation, transfer of property and liquidation or division.*

2. (a) *The borrower shall not create any lien over its assets as security for its external indebtedness unless the benefit of that lien is extended equally to the lender;*

   (b) *The lender has the right to terminate the contract if the right of the borrower to draw down the proceeds from any other loan for the financing of the project is suspended, cancelled or terminated or if the borrower fails to pay under any other loan and the failure continues for more than 30 days.*

3. (a) *The borrower shall not create any lien over its assets as security for its external indebtedness unless the benefit of that lien is extended equally to the lender;*

   (b) *The borrower shall not assign its rights and obligations without prior written consent of the lenders;*

   (c) *Change in shareholding of the Company constitutes an event of default and gives the lenders the right to decare outstanding amounts to be immediately payable within a period of one month of notice (in the absence of the decision of the french autjorities suspending its option);*

   (d) *The lender has the right to terminate the contract if the right of the borrower to draw down the proceeds from any other loan for the financing of the project is suspended, cancelled or terminated or if the borrower fails to pay under any other loan and the failure continues for more tan 30 days.*

4. *Except with the approval of World Bank, the Company shall not incur any debt, if after the incurrence of such debt, the ratio of debt to equity shall be greater than 4:1.*

B. Secured Long Term Loans availed of by the Company:

Set forth below is a brief summary of the Company's outstanding secured borrowings of Rs. 11,305.1 million as of December 31, 2009. All these loans were obtained for financing NJHEP.

S. No.	Name of Lender(s)	Facility/Loan Documentation	Amount Outstanding (in Rs. Million)	Interest rate (%) p.a.	Security details	Repayment terms
1	PFC[1] , Delhi	Rs. 11,180 million sanctioned by loan agreement dated March 29,2000 which was further increased to 14,380 million vide an agreement dated June 23, 2003 and its amendment dated June 28, 2004	7,190	Rate of interest prevailing at the date of each disbursement	PFC- 1. First charge on pari passu basis on all movable assets including movable plant and machinery, machinery spares, tools and accessories, fuel stock spares and materials both present and future vide hypothecation deed dated April 25, 2003, joint hypothecation deed dated 22.03.2004 and supplemental hypothecation deed dated 08.11.2004; 2. Equitable mortgage of all immovable properties pertaining to the project by deposit of title deeds with IDBI Bank Limited by a memorandum of entry ("**MoE**") dated October 27, 2004 as amended by MoE dated January 23, 2008. LIC- 1. Hypothecation of movable properties (present and future) and receivables by joint deed of hypothecation dated March 22, 2004 and supplementary hypothecation deed dated November 8, 2004; and 2. Equitable mortgage of all immovable properties pertaining to the project by deposit of title deeds with IDBI Bank Limited by MoE dated October 27, 2004 as amended by MoE dated January 23, 2008. REC- 1. Hypothecation of movable properties (present and future) and receivables by joint deed of hypothecation dated March 22, 2004 and supplementary hypothecation deed dated October 27, 2004; and 2. Equitable mortgage of all immovable properties pertaining to the project by deposit of title deeds with IDBI Bank Limited by a MoE dated October 27, 2004 as amended by MoE dated January 23, 2008. .	40 equal instalments payable quarterly commencing 15.01.2005
2	LIC [2], Mumbai	Rs 6,000 million vide term loan agreement dated 30-09-2003 which was subsequently reduced to 4,210 million by amendment dated June 28, 2004 to the agreement.	1,973.4	9.31% p.a.		32 equal instalments payable quarterly commencing 01.10.2005

S. No.	Name of Lender(s)	Facility/Loan Documentation	Amount Outstanding (in Rs. Million)	Interest rate (%) p.a.	Security details	Repayment terms
3	REC[2], Delhi	Rs. 6,000 million vide term loan agreement dated 10-10-2003 which was subsequently reduced to 4,569 million by an amendment dated October 26, 2004 to the term loan agreement.	2,141.7	9.31% p.a.		32 equal instalments payable quarterly commencing 15.10.2005
	Total		**11,305.1**			

Notes:

1. (a) *The Company shall not raise borrowing from any other sources for meeting any part of the cost of equipment etc financed through this loan;*

   (b) *The Company shall not transfer or abandon the project at any stage without the written consent of the corporation.*

2. (a) *The Company shall not prepay the outstanding principal amounts of the loans in full or in part before the due date except after obtaining the prior approval of the lender;*

   (b) *The Company shall not declare any dividends on its share capital without prior consent of the LIC if it fails to meet its obligations to pay interest or instalments;*

   (c) *The Company shall not escrow its projects future cash flow or create any charge or lien or interest of whatsoever nature thereon without the prior approval of LIC;*

   (d) *The Company shall not undertake any new projects or expansion or make any investments or take assets on lease without prior written permission of LIC;*

   (e) *Project debt to equity ratio not to fall below 1:1 during the currency of the loan (where the debt means long term debt i.e. more than one year and equity means paid up equity capital, paid up preference share capital, reserves and surplus other than revaluation reserve);*

   (f) *Asset coverage ratio shall not fall below 1.5 for the project and in the event of asset cover falling below 1.5, LIC will have lien on other assets both present and future of the company. Asset will include capital work in progress and as per audited balance sheet.*

   (g) *In case of default, the borrower shall not without the prior written consent of the lender:*

      a. *Amend its AoA and Memorandum of Association;*

      b. *Undertake any new project, modernisation etc.;*

      c. *Issue any debentures, raise any loans, issue equity etc.*

      d. *Prepay any loans;*

      e. *Pay any commissions to its promoters, directors, managers etc for furnishing guarantees, counter guarantees for undertaking any other liability in connection with any financial assistance obtained by borrower or obligation undertaken by the borrower for the project;*

      f. *Declare or pay any dividend unless dues to the borrower have been paid upto the date on which the dividend is proposed to be declared;*

      g. *Create any subsidiaries or permit any company to become its subsidiary;*

      h. *Undertake any merger, consolidation etc;*

      i. *Make any investment by way of deposit, loans , share capital etc;*

      j. *Revalue its assets at any time during the currency of the loan;*

      k. *Carry on any trading activity other than sale of its own products; etc.*

   (h) *Further in the event of default of the borrower to pay dues or if the lender is of the view that the business of the borrower is conducted in a manner opposed to the public policy or in a manner prejudicial to the lenders interest, the lender shall have the right to require the borrower to restructure its management set up including the formation of management committees with such powers and functions as may be considered suitable by the lenders; and*

   (i) *In the event of default, each of the lenders shall have the right to appoint and withdraw from time to time one director on the BOD of the borrower.*

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management's discussion and analysis of financial condition and results of operations should be read in conjunction with our restated financial statements including the schedules, annexures and notes thereto and the reports thereon included elsewhere in this Red Herring Prospectus. The discussion in this section contains forward-looking statements and reflects our current view with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, such as those set forth under "Risk Factors" on page xiii and elsewhere in this Red Herring Prospectus.

Unless otherwise stated, the following discussion is based on our restated audited financial statements, which have been prepared in accordance with Indian GAAP and the Companies Act and restated in accordance with the SEBI ICDR Regulations. Certain statistical information presented in this section has been derived from our internal reporting systems and other sources. Our financial year ends on March 31 of each year, and all references in this section to a particular "FY" are to the twelve-month period ended on March 31 of that year.

OVERVIEW

We are a hydroelectric power generation company originally established as a joint venture between the Government and the state government of Himachal Pradesh to develop and operate the NJHPS. Based on information published by the CEA, the NJHPS is currently the largest operational hydroelectric power generation facility in India based on installed capacity, with an aggregate generation capacity of 1,500 MW, and is located on the Sutlej River in the state of Himachal Pradesh.

We were incorporated in 1988 as a private limited liability company, and in August 1991, we officially took over the construction and operation of the NJHPS from the HPSEB. In October 2003, the first 250MW hydroelectric power generation unit was commissioned at the NJHPS, and by May 2004, all six power generating units at the NJHPS had been commissioned and the NJHPS was fully operational. For the years ended March 31, 2007, 2008 and 2009, the NJHPS generated 6,014 MU, 6,449 MU and 6,609 MU of power and for the nine months ended December 31, 2009, aggregate power generation at the NJHPS amounted to approximately 6,332 MU.

The NJHPS is currently our only hydroelectric power project in operation. We are required to supply 12% of our annual generation from the NJHPS to the state of Himachal Pradesh free of cost and 1% will be supplied to a state-established local area development fund for the purposes of providing a regular stream of revenue for income generation and welfare schemes, creation of additional infrastructure and common facilities. As at the date of this Red Herring Prospectus, we have not supplied any power to the state-established local area development fund, as may be required under a cabinet decision of the state government of Himachal Pradesh, and may be required to do so in the future. See "***Risk Factors—Internal Risk Factors—Risks Relating to Our Business—We may be required to allocate an additional one percent of the power generated by the NJHPS to a local area development fund established by the state government of Himachal Pradesh***" on page xix. Out of the remaining 88% of power generated by the NJHPS (which will be reduced by 1% to 87% in the event we are required to supply power to the local area development fund), 25% is supplied to the state of Himachal Pradesh and the remainder is supplied to various states located in the Northern region of India pursuant to ten long-term power purchase agreements, two of which have expired and are in the process of being renewed.

Through our construction and operation of the NJHPS, we have gained experience in the design, development, construction and operation of hydroelectric projects, and the execution and management of all aspects of such projects from the initial stages of concept to the commissioning, operation and maintenance of such projects. We are currently constructing the Rampur Project, which is expected to be a 412 MW hydroelectric power generation facility located downstream from the NJHPS. The Rampur Project is currently projected to be completed and commissioned in 2013. We have also been awarded the rights to develop and operate two hydroelectric projects with an expected aggregate generation capacity of 825 MW by the state government of Himachal Pradesh (in each of which we are expected to have a 51% participation interest). We have also entered into memoranda of understanding with the state government of Uttarakhand for three hydroelectric projects with an expected aggregate generation capacity of 363 MW. We have further agreed to participate in a joint venture with NHPC Limited and the state government of

Manipur for the development and operation of a 1,500 MW hydroelectric power project to be located in Manipur. We have also diversified our operations to target hydroelectric power projects available outside of India, and have been awarded the rights to construct and operate on a build, own, operate and transfer (BOOT) basis, a 900 MW hydroelectric power project to be located in the Sankhuwasabha district of Nepal, through participating in a competitive tender held by the Nepalese government. Through these projects, we expect to increase our total installed power generation capacity by approximately 3,588 MW.

We have also agreed to take a minority interest in a joint venture to be established for the development of a transmission line in the territory of India, which is part of a transmission line expected to connect Dhalkewar in Nepal to Muzaffarpur in India, and also intend to expand into providing technical advisory and consultancy services.

We have historically been able to achieve high levels of operational efficiencies, which are reflected through high average capacity indices for the NJHPS. Under the previous tariff regulations which were effective during this period, we were entitled to certain incentive payments based on our capacity index levels, as determined by the NRPC. Under the new tariff regime which is performance-based, we will be entitled to these incentive payments only if our monthly plant availability factor exceeds a pre-determined normative annual plant availability factor applicable to the NJHPS of 82%. According to data published by the NRPC, for the financial years ended March 31, 2007, 2008 and 2009, our annual plant availability factor for the NJHPS (calculated as the average of our monthly plant availability factors in the period) was 92.4%, 96.7% and 96.1%, respectively, which exceeded the normative annual plant availability factor applicable to the NJHPS of 85% applicable in those years.

Based on our restated audited financial statements for the years ended March 31, 2007, 2008 and 2009, we generated total revenues of Rs. 14,761.7 million, Rs. 14,622.8 million and Rs. 16,348.4 million, respectively, and profit before tax of Rs. 7,692.5 million, Rs. 8,178.0 million and Rs. 10,025.5 million, respectively.

RECENT DEVELOPMENTS

Preferential equity issue – the GoHP Allotment

In April 2010, we issued 27,812,500 equity shares to the state government of Himachal Pradesh for aggregate consideration payable of Rs. 409.40 million, pursuant to a letter from the MoP (No. 23/24/2009-H-II) dated April 23, 2010, representing approximately 0.007% of the issued and paid-up capital of our Company prior to this Offer. As of the date of this Red Herring Prospectus, the state government of Himachal Pradesh owns approximately 25.50% of our issued and paid-up capital.

Withdrawal of Project

In October 2009, the state government of Himachal Pradesh notified our Company that it would be transferring the rights to construct and operate the 1,020 MW hydroelectric power plant to be located in Khab, which were originally awarded to us pursuant to a letter dated December 16, 2004 issued by the Principal Secretary (Power) to the state government of Himachal Pradesh (Reference Endst. No. MPP-F (2)8/2001/III/Shimla-2). We are currently in discussions with the state government of Himachal Pradesh in connection with this purported transfer and as at the date of this Red Herring Prospectus, this matter is still outstanding.

SUBSEQUENT EVENTS

Requirement to provide additional energy free-of-cost

On September 9, 2009, the state government of Himachal Pradesh issued a Press Note (No.884/2009-PUB), pursuant to which we are required to provide an additional one percent of the aggregate energy generated by our operational power projects located in the state of Himachal Pradesh to a local area development fund which has been established by the state government of Himachal Pradesh, with effect from September 30, 2009.

We have not been providing the required energy generation from the NJHPS to the local development fund, and may be required to do so retrospectively. See "***Risk Factors--Internal Risk Factors- Risks Relating to***

Our Business – We may be required to allocate an additional one percent of the power generated by the NJHPS to a local area development fund established by the state government of Himachal Pradesh--” *on page xix*.

FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATION

Our business, historical financial condition and results of operations have been affected by a number of important factors, some of which we believe will continue to affect our financial condition and results of operations in the future.

Recovery of annual fixed charges and other performance-based incentives under prevailing tariff rates

The CERC sets tariffs for energy supplied by each power project on a case-by-case basis. In general, based on prevailing tariff regulations, with effect from April 1, 2009, our tariffs are calculated by the CERC based on the principle that if energy generation at a particular project meets certain predetermined performance targets which have been specified for that project, the project operator is entitled to revenues from electricity generation which are sufficient to cover certain identified fixed costs and incorporates a guaranteed return on equity on a portion of the capital investment for that project, termed as annual fixed charges. Annual fixed charges for a project are determined for a five-year tariff period based on petitions filed by the project operator for that period. During the period, annual fixed charges which are recovered by a project operator for each financial year during that five-year period are provisionally based on annual fixed charges for that project which have been approved by the CERC in the last financial year of the immediately preceding five-year period, as increased by the amount of additional capital expenditures which have been certified by the auditors of the project operator, or which have been projected by the project operator to be incurred for that financial year. A one-off adjustment is recorded for when the tariff petition for the period has been approved by the CERC and a final tariff order has been issued. Based on the one-off adjustment, either final invoices for the period are issued to the beneficiaries under the PPAs for that project (where the amount of the final annual fixed charges exceeds the provisional annual fixed charges which have been invoiced during the year), or payments are made by the project operator to those beneficiaries (where the amount of the final annual fixed charges is less than the provisional annual fixed charges which have been invoiced during the year). Simple interest is payable on the amount of the one-off adjustment based on the State Bank of India short-term prime lending rate on April 1 of the applicable year.

Annual fixed charges for a hydroelectric power project are determined by aggregating the following components:

- *Return on equity on a pre-tax basis.* Under prevailing Government policies in place to encourage development of the Indian power generation sector, electricity tariffs set for a project will incorporate a guaranteed return on equity on approved project costs which have been financed through equity participation by investors up to a specified threshold percentage. In the event that the percentage of equity financing for the project represents less than the specified threshold percentage, the guaranteed return on equity incorporated in the tariff will be based on that lower proportion. Under the previous tariff regime, the guaranteed rate of return on equity to be incorporated in the tariff for a project was set at 14%. Under the current tariff regulations which came into effect on April 1, 2009, the guaranteed rate of return on equity to be incorporated in the tariff for a project was set at 15.5%, subject to grossing-up for applicable taxes. We have obtained a special dispensation from the CERC such that tariffs for the NJHPS incorporate a guaranteed rate of return on equity based on prevailing rates on 50% of the project costs which have been approved by the CERC on March 31, 2004, representing the equity participation of our shareholders in the project. However, the guaranteed rate of return on equity on additional capital expenditures which are incurred on the NJHPS in excess of Rs. 79,900.0 million will only be allowed with respect to 30% of such costs, in accordance with the prevailing equity participation threshold.

- *Depreciation.* Depreciation on a straight-line basis of up to 90% of the historical cost of an asset, based on the useful lives of assets as established pursuant to CERC guidelines.

- *Interest on outstanding debt.* Under the current tariff regime, interest which is eligible for recovery as an annual fixed charge component is based on the outstanding principal amount of the loan, and is capped by the amount of depreciation expense allowed for the financial year in question. Interest is calculated based on the weighted average rate of interest on outstanding principal amounts of project-related debt as at the beginning of the financial year. At the end of the financial year, actual interest paid on project debt is calculated and is certified by the auditor and notified by the project operator to the CERC.

- *Operation and maintenance expenses.* Operation and maintenance expenses are recoverable as follows: (i) with respect to stations which have been in operation for more than five years, recovery is based on the average operation and maintenance expenses for the preceding year, (ii) with respect to stations which have been in operation for less than five years as on April 1, 2009, recovery is based on 2.0% of original project cost (excluding resettlement and rehabilitation works). Further, for projects which commence operation prior to FY 2008, operation and maintenance expenses shall be subject to escalation at a rate of 5.17% per annum for the period ending on March 31, 2008, and thereafter at a rate of 5.72% per annum, and (iii) with respect to projects which have commenced commercial operations on or after April 1, 2009, recovery is based on 2.0% of original project costs (excluding cost of rehabilitation and resettlement works), and shall be subject to escalation at a rate of 5.72% per annum thereafter. We recover operation and maintenance expenses based on the rates set forth in (ii) above for the NJHPS.

- *Interest on working capital.* Working capital for a hydroelectric power station comprises (i) receivables equivalent to two months of fixed costs, (ii) maintenance and spare part costs equivalent to 15% of operation and maintenance expenses, and (iii) an amount equivalent to the operation and maintenance expenses for a project for a one-month period. The rate of interest recoverable on working capital is determined on a normative basis at the short-term prime lending rate of the State Bank of India as on April 1, 2009 or on April 1st of the year in which the generating station or a unit thereof is declared to have commenced commercial operations, whichever is later. At the end of the financial year, actual working capital on which interest is chargeable is calculated and is certified by the auditor and notified by the project operator to the CERC. We recover interest on working capital with respect to the NJHPS at the prime lending rate of the State Bank of India as on April 1, 2009 of 12.25% per annum.

A power project operator is entitled to recover 50% of its annual fixed charges for a project through energy charges and up to the remaining 50% through capacity charges. Energy charges are based on sales of electricity and recovery of capacity charges is based on the project achieving an actual plant availability factor for the month equal to or in excess of the normative annual plant availability factor that has been determined to apply to that type of power project. The normative annual plant availability factor has been set at 85% for run-of-the-river with pondage schemes and 90% for storage schemes. However, the normative annual plant availability factor for the NJHPS has been determined by CERC to be 82% due to abnormally high levels of silt in the Sutlej River, which require us to carry out capital maintenance on all our machines annually, thus, requiring increased maintenance periods. Annual fixed charges are recovered through energy charges and capacity charges, which are invoiced on a monthly basis based on the regional energy account issued by the NRPC.

Energy charges. Energy charge rates are calculated by dividing 50% of annual fixed charges by ex-bus saleable design energy (as calculated in megawatt hours) and multiplied by a factor of 10. Ex-bus saleable design energy is calculated exclusive of the auxiliary energy consumption by the power station and energy which is required to be supplied to the home state free-of-cost. Accordingly, 12% of ex-bus energy generated by the NJHPS is provided to the state government of Himachal Pradesh free-of-cost. Energy charges are recoverable monthly based on total scheduled energy for the month to be supplied to beneficiaries (excluding free-of-cost energy) and the energy charge rates on an ex-bus basis. In the event actual energy generation is in excess of design energy for that project, the energy charge rate will be capped at Rs. 0.80 per unit.

Capacity charges. The capacity charge for a month is calculated based on 50% of annual fixed charges and allocated on a monthly basis based on the number of days in that month, as multiplied by the ratio of actual plant availability factor for that month ("PAFM") and the Normative Annual Plant Availability Factor ("NAPAF"). Capacity charges are recoverable on a performance basis, i.e. if the power station achieves a monthly plant availability factor which is equal to or in excess of a pre-specified normative annual plant availability factor which has been set for power projects of that type. In the event that a power station operates at less than the normative annual plant availability factor applicable to it, it will only be eligible to recover capacity charges on a *pro rata* basis based on the proportion which its actual monthly plant availability factor bears to the applicable normative annual plant availability factor.

The methodology by which a tariff for a particular project is determined based on prevailing tariff regulations currently in effect essentially means that in order to achieve the guaranteed rate of return on the equity portion of the project, the operational power project will be required to operate at a minimum level which is set by the CERC in accordance with Government regulations, as the incentives in the case of increased availability and generation in excess of design energy are built into the tariff rates recovered from the beneficiaries. In the event that the power project fails to operate at the threshold level, the guaranteed rate of return will be reduced through reductions in recovery of capacity charges and/or reduced revenue from energy sales. However, the methodology also allows for efficiency improvements to increase the rate of return to equity investors on the project. For example, in the case of power stations which have been operational for more than five years, an increased rate of return on equity will result from any efficiency improvements which result in reductions in operations and maintenance expenses as compared to the preceding year, and in the case of new power stations, an increased rate of return on equity may result from any efficiency improvements which decrease the operation and maintenance expenses to less than 2.0% of original project cost.

In the event that our plant availability falls below the stipulated normative annual plant availability factor determined by the CERC to apply to our projects as described above, or if we are unable to continue to improve our efficiencies and reduce our operational and maintenance costs, the tariff rates we are able to recover may reduce accordingly, and our financial condition and results of operations may be adversely affected as a result.

Unscheduled Interchange Charges. A project operator also receives or pays unscheduled interchange charges in the event that the energy supplied by the project varies from scheduled energy (being the energy estimated and declared in advance by the project operator to be produced by the project for a specified period to the load dispatch center). The amount of such unscheduled interchange charges per unit is set by the CERC in accordance with prevailing policies.

For the nine months ended December 31, 2009, approximately 2.22% of our revenues were attributable to unscheduled interchange charges. In the event that we are unable to maintain or improve our performance at these levels, which are above the minimum performance levels set with respect to our operations at the NJHPS by the CERC, our profitability, financial condition and results of operations may be adversely affected.

Changes in Government policies

The Government and Indian state governments have historically linked improved infrastructure in the energy, transportation, urban infrastructure and industrial and commercial infrastructure sectors as the platform for promoting and sustaining economic growth. We believe that the Government's focus on, and sustained increases in budgetary allocation for, power, and the development of more structured and comprehensive infrastructure policies that encourage greater private sector participation, as well as increased availability of financing for power projects from international financial institutions, should result in further power projects being offered for development in India. Accordingly, Government budgetary allocations for power projects, priorities with respect to infrastructure development and capital expenditures for power projects will be instrumental in determining the number and nature of power projects being made available for development, which will in turn impact our business and prospects.

In addition, the tariffs which we are entitled to charge for energy supplied by us under the terms of our PPAs are determined by the CERC in accordance with prevailing tariff regulations. Historically, tariff regulations have been set by the Government and are generally effective for a period of five years, commencing on April 1 and ending on March 31. The previous tariff regulation was effective from April 1, 2004 and expired in March 31, 2009, and the current tariff regulations have been adopted with effect from April 1, 2009 and will expire in March 31, 2014.

Changes to the methodology for calculating capacity charges may have a negative impact on the amount we recover as capacity charges. Under the previous tariff regime which applied between April 1, 2004 to March 31, 2009, capacity charges were determined as being equivalent to annual fixed charges less a primary energy charge, which was equal to the product of saleable primary energy (in MU) multiplied by the prime energy rate. To recover the full capacity charge, a power generating station was required to achieve a predetermined normative capacity index. If the power generating station did not have the targeted level of available capacity, capacity charges would be recoverable on a pro rata basis. Under the current tariff regime, capacity charges for a hydroelectric power station will comprise 50% of the AFC and will be calculated using a formula that takes into account the actual plant availability factor achieved, as compared to a prescribed project-specific annual plant availability factor.

Accordingly, under the current tariff regime, actual operation of the power generation facility is required to recover capacity charges, whereas under the previous tariff regime, recovery of capacity charges was based on available capacity regardless of the proportion of available capacity that was actually used. This means that our ability to recover our annual fixed charges in full will now depend on plant availability and our actual production of electricity, which is in turn dependent on certain factors which may not be within our control, such as sedimentation and rainfall levels and availability of water supply. The switch to a performance-based tariff regime may have an adverse impact on our revenues, profitability, financial condition and results of operation should we not be able to achieve the predetermined annual plant availability factor or fail to produce energy equivalent to the design energy of our power station for any reason. See "***Risk Factors—Internal Risk Factors- Risks Relating to Our Business—Our sales of electricity are regulated by directives issued by the Government and are subject to prevailing tariff policies and regulations, which are subject to change, and the switch to the current performance based tariff regime may adversely affect us***" on page xvi.

Any adverse changes in Government policies or tariff regulations or their interpretation by the CERC may limit our ability to recover payments due to us or the tariff charges we are allowed to impose on our customers for sales of electricity produced by us, thereby adversely affecting our revenues, cash flows, profitability, financial condition and results of operations.

Operations of the NJHPS

As at the date of this Red Herring Prospectus, all of our revenues are generated from the NJHPS located in the state of Himachal Pradesh on the Sutlej river, which is one of the principal tributaries of the Indus river in the southwest Himalayas. All of the power generated by our Company to our customers is presently generated by this project. Accordingly, any disruptions to the operations of the NJHPS for any reason would significantly and adversely affect our revenues, profitability, cashflows, financial condition and results of operations. See "***Risk Factors—Internal Risk Factors- Risks Relating to Our Business—Our financial performance is dependent on the NJHPS, which is our only operational project, and we are dependent on the NJHPS for our revenues and operating cashflows and to finance the development of our other hydroelectric power projects***" on page xiv.

Hydrological and environmental conditions

The quantity of energy generated by a hydroelectric power station is dependent on the availability of water flow. This is unlike conventional power plants such as thermal power plants, where actual energy generated is directly proportional to installed capacity and is subject only to machine availability and load demand.

The planning of hydroelectric power projects in hydrological terms is based on the assumption that the past historical availability of water will be repeated in the future. The design energy for hydroelectric power stations is derived from hydrological studies carried out on historical discharge data. Design energy is taken as the energy that can be generated by utilizing the quantum of water available in a 90% dependable year, that is, water flow which is 90% probable. A hydroelectric power station is designed on the basis of water availability estimates taken for the design of the project. As this dependability is determined on a long term basis, there may be some years or years in succession where projected generation may not be realized, and other years or years in succession where projected generation estimates are exceeded. See "***Risk Factors—Internal Risk Factors- Risks Relating to Our Business—Our generation capacity is subject to substantial variations in water flow, due to climatic conditions and varies seasonally***" on page xxxi.

In hydroelectric projects, sediment carried downstream by a river can be blocked where a dam is constructed. This sediment may build up behind the dam wall and affect the capacity of a reservoir. Over 80% of the total annual silt load is carried by rivers in the monsoon season. By devising an efficient reservoir management system, most of the annual silt load can be safely passed downstream. This generally requires us to keep the reservoir at a lower operating level during this period, and as a result, we typically experience some generation losses, even though the monsoon period generally means that there is high water availability. However, high silt levels during this season also result in our having to shut down operations when silt levels are higher than pre-determined levels for the safe operation of our plant and machinery.

Our sole operational project, the NJHPS, is located on the Sutlej River, which has historically had high sedimentation levels. We have in the past ceased generation operations at the NJHPS due to excessively high sedimentation levels, in order to prevent significant damage to our power generation plant and equipment. For the years ended March 31, 2007, 2008 and 2009, the number of days for which we were required to shut down our generation units due to high silt conditions was 31.87 days, 9.82 days and 11.73 days, respectively. Our normative annual plant availability factor was set by the CERC at 82% (as compared to 85% which is generally applicable to run-of-the-river with limited pondage schemes) as a result of such hydrological conditions. See "***Risk Factors—Internal Risk Factors- Risks Relating to Our Business—The accumulation of silt in waterways can damage our equipment and cause us to cease operations for extended periods of time***" on page xxxi.

Operational disruptions

We have in the past experienced disruptions to our operations from unforeseen events such as floods. For example, in September 2005, we experienced abnormally high water levels which resulted in the flooding of the powerhouse facility for the NJHPS, and significant damage to our power plant and equipment. As a result of such flooding, we ceased operations at the NJHPS for a period of 44 days until October 2005. We estimated our losses due to such flood damage to be in the region of approximately Rs. 3,140.0 million, of which we were able to recover an aggregate of Rs. 3,080.0 million pursuant to our insurance policies.

However the number of days that the NJHPS has not been operational has decreased primarily due to improvements in our maintenance processes which decreased the number of days required for maintenance of the NJHPS for the years ended March 31, 2007, 2008 and 2009 to 55 days, 32 days and 15 days, respectively. We have achieved this primarily by taking preventive measures such as coating our equipments parts by abrasion resistant materials.

General economic conditions and demand for electricity

Our business is affected by general economic conditions prevailing in India which affect demand for electricity, as well as by developments in the Indian energy sector which impact on electricity supply.

The Government adopts a system of successive Five Year Plans which set out targets for economic development in various sectors, including the Indian energy sector. Each successive Five Year Plan has increased targets for additional generation capacity. The Tenth Plan, which was effective for FY2002 to FY 2007, targeted aggregate generation capacity increases of 41,110 MW, of which 21,180 MW of actual aggregate generation capacity increases were achieved during this period. The Eleventh Plan targets additional generation capacity increases of 78,700.4 MW by the end of FY 2012, of which 23,530MW have already been commissioned as of September 30, 2009.

The liberalization of the Indian energy sector has resulted in a large number of independent power producers entering the market to bid for new power projects which are made available by the Government through competitive tender processes. Increases in competition for new hydroelectric power projects may adversely affect our revenues, prospects, profitability, financial condition and results of operation. See "***Risk Factors—Internal Risk Factors- Risks Relating to Our Business—We face extensive competition for the award of new hydroelectric power projects***" on page xxxv.

We are also dependent on general conditions affecting the Indian economy, as all of our assets and liabilities are located in India and all of our operating revenue is currently generated from our activities within India. The rate of increase in electricity consumption in India has broadly reflected the increase in its GDP growth rates. Accordingly, any changes in general economic conditions in India may impact our capacity utilization, which may in turn affect our business, revenues, profitability, financial condition and results of operation.

Eligibility for Tax Benefits and Incentives

We have taken advantage of tax benefits in the form of loss carry forwards since the year ended March 31, 2004, and have paid minimum alternative tax, or MAT, under Indian taxation laws commencing in the year ended March 31, 2005. MAT involves the payment of tax on a company's book profits in the event that the tax otherwise payable in accordance with Indian tax laws falls below a specified threshold limit. We are also eligible for tax benefits under section 80(I) of the Income Tax Act for which we have been availing benefits since March 31, 2005. We anticipate that we will commence paying corporate income tax in the year ended March 31, 2015 and our tax expenses will increase significantly as a result, thereby affecting our profitability. For more details on the taxes applicable to our Company, please see section titled "***Statement of Tax Benefits***" on page 40.

Pursuant to the prevailing tariff regulations, we are allowed to recover return on equity net of taxes as levied under the Income Tax Act. For the year ended March 31, 2009, revenue attributable to such taxes amounted to approximately 14.9% of our total electricity sales revenue. In the event of changes in future tariff regimes disallowing such recovery net of taxes, our revenues, profitability, financial condition and results of operation may be affected.

Exchange Rate Volatility

All of our revenues are denominated in Rupees, while we have outstanding indebtedness denominated in other currencies. Our reporting currency is the Rupee.

A weakening of the Rupee may increase our operating expenses denominated in or tied to the value of foreign currencies, and would increase the Rupee cost of our foreign currency expenditures, which include expenditures for plant, equipment and machinery. In addition, the weakening of the Rupee would increase the amount of Rupees required to pay interest expenses on our foreign currency denominated indebtedness, as well as any principal repayments to be made thereon. Fluctuations in exchange rates have in the past resulted in our Company recording foreign exchange gains (losses) of Rs. 283.4 million, Rs. (159.8) million, Rs. 205.9 million, Rs. 143.7 million and Rs. 555.0 million in FY 2005, FY 2006, FY 2007, FY 2008 and FY 2009, respectively. These foreign exchange gains and losses resulted primarily from the restatement of foreign currency denominated loans, which did not have any impact on our cash flows other than an impact on tax expenses. As of December 31, 2009, approximately 36.1% of our total indebtedness was denominated in U.S. dollars and other foreign currencies.

Interest Rate Volatility

We are dependent on external sources of funds to finance the development of our hydroelectric power projects. Significantly all of our outstanding debt obligations are subject to floating interest rates. In addition, as we continue to develop our hydroelectric power projects, we expect to incur more floating rate debt obligations for the purposes of financing the construction and development of these projects. Accordingly, any increases in our interest expense from interest rate movements may increase our project development costs and cost of capital, and may have an adverse effect on our financial results and business prospects.

Critical Accounting Policies

Our financial statements are prepared in accordance with Indian GAAP. The financial statements are prepared under the historical cost convention, on the accounting principles of a going concern and in accordance with applicable accounting standards. Our significant accounting policies are set forth in Annexure IV to our audited restated financial statements included on page F-1. Indian GAAP requires that we adopt accounting policies and make estimates that our Directors believe are the most appropriate in the circumstances for the purposes of giving a true and fair view of our results of operations and the understanding of our financial condition and results of operations. The preparation of our financial statements requires difficult and subjective judgments to be made in selecting appropriate assumptions and estimates which may affect the amounts reported in our financial statements. Our management bases its estimates and judgments on historical experience and various other assumptions that it believes are reasonable under the circumstances, and which are subject to an inherent degree of uncertainty. Actual results may differ significantly from those estimates and judgments under different assumptions or conditions.

Revenue Recognition

Revenue is recognized once a customer is invoiced, based on the units of energy allocated to such customer in the monthly generation report issued by the NRPC.

Fixed assets

Fixed assets are recorded at historical cost which includes purchase price and any impairment in value, less accumulated depreciation, and includes fixed assets situated on land which is not owned by the Company. Capital expenditure on assets not owned by the Company are capitalized as capital work in progress/fixed assets, and are transferred to the fixed asset account upon title to such assets being transferred to the Company on completion of construction.

Machinery spares

Machinery spares which are procured along with related plant and machinery, or which are subsequently acquired are capitalized and depreciated fully over the residual useful life of the plant and machinery which it is intended to be used for. Replacement spare parts which are used in regular maintenance are fully charged to revenue in the year in which these spares are replaced except in the case where such spares can be repaired and reused. Other spares are expensed when consumed.

Capital work in progress

For works which are to be constructed, the value of construction supplies received on-site or at the construction store and accepted as such are treated as capital work in progress. Certain centralized corporate office expenses are allocated to the capital work in progress account of each project under construction and are capitalized on the commissioning of the relevant project.

Survey and investigation expenses incurred in the initial stages of a project are carried as capital work in progress and capitalized as a project cost on the completion of the construction of the relevant project. In the case of projects which are abandoned, such expenses are expensed.

Expenditures relating to work under construction are accounted for based on the construction certificates received from the relevant contractor, and as accepted by our Company.

Depreciation, Amortization and Impairment of Assets

Depreciation is charged on a straight-line basis of up to 90% of the cost of an asset, in accordance with rates which have been specified by the CERC. Assets which have not been specified in CERC regulations are depreciated on a straight-line basis at rates specified in the Income Tax Act 1961, except in the case of computers and peripherals which are depreciated on a straight-line basis at 25% per annum.

Inventories

Inventories are valued at the lower of cost based on either a weighted average basis or net realizable value.

Foreign exchange transactions

Foreign currency transactions are recorded at the exchange rate prevailing on the date of the transaction. Monetary items denominated in foreign currency are restated at year end at exchange rates prevailing on the balance sheet date.

Exchange rate differences, except to the extent considered as adjustments to borrowing costs are recognized as income or expense in the period in which such difference arises (in the case of operational projects) and to EDC (in the case of projects under construction).

Borrowing costs

Borrowing costs (including exchange rate differences) directly attributable to the acquisition and construction of a qualifying fixed asset are capitalised as part of the cost of such asset up to the date when such asset is ready for its intended use. Other borrowing costs are charged to the profit and loss account.

Employee benefits

Provisions for gratuity, leave encashment, leave travel concession and post retirement benefits are made on the basis of actual valuation at the end of the financial year. Provident fund liabilities are accounted for on an accrual basis.

Taxation on Income

Current tax is the amount of tax payable on the taxable income for the current year as per the provisions of the I.T. Act, 1961. Tax credit is recognised in respect of Minimum Alternate Tax (MAT) based on satisfactory evidence that the normal income tax will be payable within the statutory time frame and the same is reviewed at each balance sheet date.

The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realized in the future; however where there is unabsorbed depreciation or carry forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed at each balance sheet date and written down or written up to reflect the amount that is reasonably/virtually certain as the case may be to be realised.

Description of Key Line Items

Total Income

Total income comprises sales of energy, and other income. The following table shows the breakdown of our income and each item netted against such income as a percentage of total income for the periods stated:

	Nine months ended December 31,		Year ended March 31,									
	2009		2009		2008		2007		2006		2005	
	(Rs. In mns)	(%)	(Rs. in mns)	(%)	(Rs. in mns)	(%)	(Rs. in mns)	(%)	(Rs. in mns)	(%)	(Rs. in mns)	(%)
Income:												
Sales	14,231.0	94.2	14,907.8	91.2	13,567.5	92.8	14,094.6	95.5	10,623.6	78.6	12,775	95.0
Other income	869.0	5.8	1,440.6	8.8	1055.3	7.2	667.1	4.5	2885.8	21.4	674.2	5.0
Total income	15,100.0	100.0	16,348.4	100.0	14,622.8	100.0	14,761.7	100.0	13,509.4	100.0	13,449.2	100.0

Sales. Sales comprises sale of electricity to our customers, which are state electricity boards and distribution licensees in the Northern Indian region and the Government through the Ministry of Power. Our sales of electricity are made pursuant to long-term power purchase agreements, or PPAs, which generally run for an initial term of five years and are typically renewed or extended for a further period of five years after the initial term expires. We have entered into ten PPAs with respect to the NJHPS, of which two are currently in the process of being renewed. While generation capacity has increased significantly in recent years, demand for electricity in India is still substantially higher than the available supply. As a result, we have not had difficulty entering into PPAs to cover our capacity and do not expect to encounter difficulties in doing so in the near future. The tariff rates with respect to our PPAs are determined by prevailing tariff regulations and policies set by the CERC.

Other income. Other income comprises income from interest on bank deposits and late payment charges.

Expenditures

Expenditures comprise generation, administration and other expenses, depreciation for the current year as well as writedowns relating to previous years, provisions and writebacks (net) and interest and finance charges. The following table shows the breakdown of each expenditure item as a percentage of total expenditure for the periods stated:

	Nine months ended December 31,		Year ended March 31,									
	2009		2009		2008		2007		2006		2005	
	(Rs. in mns)	(%)	(Rs. In mns)	(%)	(Rs. In mns)	(%)	(Rs. in mns)	(%)	(Rs. in mns)	(%)	(Rs. in mns)	(%)
Expenditures:												
Generation, administration and other expenses	1,099.1	19.1	1,775.1	28.1	1,498.7	23.3	1,383.3	19.6	1,248.2	17.9	1,049.2	14.4
Depreciation	3,259.9	56.6	2,342.3	37.0	2,399.2	37.2	2,456.1	34.7	2,325.6	33.3	2,182.8	29.9
Interest and finance charges	1,396.2	24.3	2,205.5	34.9	2,546.9	39.5	3,229.8	45.7	3,415.3	48.9	4,075.4	55.8
Total expenditures	5,755.2	100.0	6,322.9	100.0	6,444.8	100.0	7,069.2	100.0	6,989.1	100.0	7,307.4	100.0

Generation, administration and other expenses. Generation, administration and other expenses include expenses related to repairs and maintenance, employee remuneration and benefits, consumption of stores and spares, rent, rates, taxes, insurance security, travel and other expenses.

Depreciation – current. Depreciation – current comprises depreciation on fixed assets, including plant and machinery and civil work structures.

Interest and finance charges. Interest and finance charges comprise interest expense on term loans. For accounting purposes, our borrowings are denominated in Rupees including those raised in foreign currencies, primarily consisting of EUR, NOK and the U.S. dollar. Borrowing costs related to construction are capitalized as interest during construction.

Results of Operations

The following table provides certain information with respect to our revenues, expenditures and profits by showing each item as a percentage of total revenues for the periods indicated. This table should be read together with our restated audited financial statements for the relevant periods, including the notes thereto, which appear elsewhere in this Prospectus.

We have restated our audited financial information for the financial years ended March 31, 2005 to 2009 and the nine months ended December 31, 2009 in compliance with the SEBI ICDR Regulations. We have restated each individual line item in our income statement for these periods.

	For the nine months Ended	For the Year Ended				
Particulars	**December 31, 2009**	**March 31, 2009**	**March 31, 2008**	**March 31, 2007**	**March 31, 2006**	**March 31, 2005**
	(Rs. in mns)	(Rs. in mns)	(Rs. in mns)	(Rs. in mns)	(Rs. in mns)	(Rs. in mns)
INCOME						
Sales (Net)	14,231.0	14,907.8	13,567.5	14,094.6	10,623.6	12,775.0
Other Income	869.0	1,440.6	1,055.3	667.1	2,885.8	674.2
Total	**15,100.0**	**16,348.4**	**14,622.8**	**14,761.7**	**13,509.4**	**13,449.2**
EXPENDITURE						
Generation Administration and Other Expenses	1,099.1	1,775.1	1,498.7	1,383.3	1,248.2	1,049.2
Depreciation	3,259.9	2,342.3	2,399.2	2,456.1	2,325.6	2,182.8
Interest and Finance Charges	1,396.2	2,205.5	2,546.9	3,229.8	3,415.3	4,075.4
Total	**5,755.2**	**6,322.9**	**6,444.8**	**7,069.2**	**6,989.1**	**7,307.4**
PROFIT BEFORE TAX	**9,344.8**	**10,025.5**	**8,178.0**	**7,692.5**	**6,520.3**	**6,141.8**
Provision for Taxation						
Income Tax						
Current Tax	1,591.1	2,425.5	1,002.4	1,185.5	659.4	242.3
Fringe Benefit Tax						
Current Year	-	6.7	6.4	7.1	6.5	-
Wealth Tax	-	0.1	0.1	0.1	0.1	-

Particulars	For the nine months Ended December 31, 2009	For the Year Ended March 31, 2009	March 31, 2008	March 31, 2007	March 31, 2006	March 31, 2005
	1,591.1	2,432.3	1,008.9	1,192.7	666.0	242.3
Deferred Tax	348.9	2,685.9	1,820.6	646.4	535.3	616.5
Less: Recoverable/Payable	348.9	2,685.9	1,820.6	646.4	535.3	616.5
Total Provision for Taxation	1,591.1	2,432.3	1,008.9	1,192.7	666.0	242.3
PROFIT AFTER TAX	**7,753.7**	**7,593.2**	**7,169.1**	**6,499.8**	**5,854.3**	**5,899.5**
Balance brought forward from last year	19,677.4	15,828.0	11,513.5	7,743.3	3,707.0	(562.9)
Total available for Appropriation	27,431.1	23,421.2	18,682.6	14,243.1	9,561.3	5,336.6
APPROPRIATIONS						
Dividend						
Interim	800.0	1,100.0	1,360.0	666.7	-	341.4
Proposed	-	2,100.0	1,080.0	1,683.3	1,594.3	1,090.2
Total Dividend	800.0	3,200.0	2,440.0	2,350.0	1,594.3	1,431.6
Corporate Tax on Dividend						
Interim	136.0	186.9	231.1	93.5	-	45.1
Proposed	-	356.9	183.5	286.1	223.7	152.9
Total Tax on Dividend	136.0	543.8	414.6	379.6	223.7	198.0
BALANCE CARRIED TO BALANCE SHEET	26,495.1	19,677.4	15,828.0	11,513.5	7,743.3	3,707.0

Year ended March 31, 2009 compared to year ended March 31, 2008

Income. Income increased by approximately 11.8% from Rs. 14,622.8 million in FY 2008 to Rs. 16,348.4 million in FY 2009, primarily attributable to increases in net sales and other income.

Net sales. Net sales increased by approximately 9.9% from Rs. 13,567.5 million in FY 2008 to Rs. 14,907.8 million in FY 2009, primarily due to an increase in saleable energy from 5,619 MU in FY 2008 to 5,762 MU in FY 2009.

Other income. Other income increased by approximately 36.5% from Rs. 1,055.3 million in FY 2008 to Rs. 1,440.6 million in FY 2009, primarily due to increases in interest income from our bank deposits.

Expenditures. Expenditures decreased by approximately 1.9% from Rs. 6,444.8 million in FY 2008 to Rs. 6,322.9 million in FY 2009, primarily due to decreases in interest and finance charges, as offset by increases in generation, administration and other expenses.

Generation, administration and other expenses. Generation, administration and other expenses increased by approximately 18.4% from Rs. 1,498.7 million in FY 2008 to Rs. 1,775.1 million in FY 2009, primarily due to provisions which were made for retrospective increases in employee salaries and wages, pursuant to directives issued by the Department of Public Enterprises. See "***Risk Factors—Internal Risk Factors- Risks Relating to Our Business—Recent announcements by the Government relating to increased wages for government employees will increase our expenses***" on page xix.

Depreciation. Depreciation expenses decreased by approximately 2.4% from Rs. 2,399.2 million in FY 2008 to Rs. 2,342.3 million in FY 2009, primarily due to certain assets having been fully depreciated in the prior period.

Interest and finance charges. Interest and finance charges decreased by approximately 13.4% from Rs. 2,546.9 million in FY 2008 to Rs. 2,205.5 million in FY 2009, primarily due to principal repayments made on our existing debt obligations.

Profit before tax. For the reasons stated above, profit before tax increased by approximately 22.6% from Rs. 8,178.0 million in FY 2008 to Rs. 10,025.5 million in FY 2009.

Taxes. Tax expenses increased by approximately 141.1% from Rs. 1,008.9 million in FY 2008 to Rs. 2,432.3 million in FY 2009, primarily due to increases in income tax and in deferred tax.

Income tax – current. Income tax – current increased by approximately 142.0% from Rs. 1,002.4 million in FY 2008 to Rs. 2,425.5 million in FY 2009, primarily due to increases in net sales and in taxes on advances in depreciation.

Fringe benefit tax – current. Fringe benefit tax – current increased by approximately 4.7% from Rs. 6.4 million in FY 2008 to Rs. 6.7 million in FY 2009, primarily due to increased expenditure.

Wealth tax. Wealth tax stayed constant at Rs. 0.1 million between FY 2008 and FY 2009.

Deferred tax. Deferred tax expense increased by approximately 47.5% from Rs. 1,820.6 million in FY 2008 to Rs. 2,685.9 million in FY 2009, primarily due to increased provisions being made in relation to allowable depreciation in accordance with CERC regulations and the income tax regulations.

Profit after tax. For the reasons stated above, profit after tax increased by approximately 5.9% from Rs. 7,169.1 million in FY 2008 to Rs. 7,593.2 million in FY 2009.

Year ended March 31, 2008 compared to year ended March 31, 2007

Income. Income decreased by approximately 0.9% from Rs. 14,761.7 million in FY 2007 to Rs. 14,622.8 million in FY 2008, primarily attributable to decreases in net sales, as offset by an increase in other income.

Net sales. Net sales decreased by approximately 3.7% from Rs. 14,094.6 million in FY 2007 to Rs. 13,567.5 million in FY 2008, primarily due to our net sales in FY 2007 being comparatively higher due to recovery of pass-through charges on account of income taxes.

Other income. Other income increased by approximately 58.2% from Rs. 667.1 million in FY 2007 to Rs. 1,055.3 million in FY 2008, primarily due to increase in interest income from our bank deposits.

Expenditures. Expenditures decreased by approximately 8.8% from Rs. 7,069.2 million in FY 2007 to Rs. 6,444.8 million in FY 2008, primarily due to decreases in interest and finance charges, offset by increase in generation, administration and other expenses.

Generation, administration and other expenses. Generation, administration and other expenses increased by approximately 8.3% from Rs. 1,383.3 million in FY 2007 to Rs. 1,498.7 million in FY 2008, primarily due to increases in wages and salaries expenses, in line with inflationary increases.

Depreciation. Depreciation expenses decreased by approximately 2.3% from Rs. 2,456.1 million in FY 2007 to Rs. 2,399.2 million in FY 2008, primarily due to certain assets having been fully depreciated in the prior period.

Interest and finance charges. Interest and finance charges decreased by approximately 21.1% from Rs. 3,229.8 million in FY 2007 to Rs. 2,546.9 million in FY 2008, primarily due to repayment of principal on loans reducing the outstanding principal amounts of our debt obligations.

Profit before tax. For the reasons stated above, profit before tax increased by approximately 6.3% from Rs. 7,692.5 million in FY 2007 to Rs. 8,178.0 million in FY 2008.

Taxes. Tax expenses decreased by approximately 15.4% from Rs. 1,192.7 million in FY 2007 to Rs. 1,008.9 million in FY 2008, primarily due to decreases in current income tax expenses, as offset by increases in deferred tax expenses.

Income tax – current. Income tax – current decreased by approximately 15.4% from Rs. 1,185.5 million in FY 2007 to Rs. 1,002.4 million in FY 2008, due to certain tax assessments which were received from the tax authorities in relation to treatment of depreciation.

Fringe benefit tax – current. Fringe benefit tax – current decreased by approximately 9.9% from Rs. 7.1 million in FY 2007 to Rs. 6.4 million in FY 2008, primarily due to changes in applicable regulations.

Wealth tax. Wealth tax stayed constant at Rs. 0.1 million between FY 2007 and FY 2008.

Deferred tax. Deferred tax expense increased by approximately 181.7% from Rs. 646.4 million in FY 2007 to Rs. 1,820.6 million in FY 2008, primarily due to increased provisions being made in relation to allowable depreciation in accordance with CERC regulations and the income tax regulations.

Profit after tax. For the reasons stated above, profit after tax increased by approximately 10.3 % from Rs. 6,499.8 million in FY 2007 to Rs. 7,169.1 million in FY 2008.

Year ended March 31, 2007 compared to year ended March 31, 2006

Income. Income increased by approximately 9.3% from Rs. 13,509.4 million in FY 2006 to Rs. 14,761.7 million in FY 2007, primarily attributable to increases in net sales, offset by a decrease in other income.

Net sales. Net sales increased by approximately 32.7% from Rs. 10,623.6 million in FY 2006 to Rs. 14,094.6 million in FY 2007, primarily due to our net sales in FY 2007 being comparatively higher due to a significant increase in our energy generation from 4,401.4 MU in FY 2006 to 6,014.5 MU in FY 2007 and full recovery of annual fixed charges in FY 2007. We did not recover 100% of annual fixed charges in FY 2006 due to flood-related damage at the NJHPS which necessitated cessation of operations.

Other income. Other income decreased by approximately 76.9% from Rs. 2,885.8 million in FY 2006 to Rs. 667.1 million in FY 2007, primarily due to decreases in interest income received on bank deposits and due to a one-off receipt of insurance proceeds in FY 2006.

Expenditures. Expenditures increased by approximately 1.2% from Rs. 6,989.1 million in FY 2006 to Rs. 7,069.2 million in FY 2007, primarily due to increases in generation, administration and other expenses, offset by decrease in interest and finance charges.

Generation, administration and other expenses. Generation, administration and other expenses increased by approximately 10.8% from Rs. 1,248.2 million in FY 2006 to Rs. 1,383.3 million in FY 2007, primarily due to increases in repairs and maintenance expenses related to electro-mechanical works.

Depreciation. Depreciation expenses increased by approximately 5.6% from Rs. 2,325.6 million in FY 2006 to Rs. 2,456.1 million in FY 2007, primarily due to certain assets being capitalised.

Interest and finance charges. Interest and finance charges decreased by approximately 5.4% from Rs. 3,415.3 million in FY 2006 to Rs. 3,229.8 million in FY 2007, primarily due to repayments of principal on outstanding loans.

Profit before tax. For the reasons stated above, profit before tax increased by approximately 18.0% from Rs. 6,520.3 million in FY 2006 to Rs. 7,692.5 million in FY 2007.

Taxes. Tax expenses increased by approximately 79.1% from Rs. 666.0 million in FY 2006 to Rs. 1,192.7 million in FY 2007, primarily due to changes in rates of applicable taxes due to increased income.

Income tax – current. Income tax – current increased by approximately 79.8% from Rs. 659.4 million in FY 2006 to Rs. 1,185.5 million in FY 2007, due to increases in rates of applicable taxes due to increased income.

Fringe benefit tax – current. Fringe benefit tax – current increased by approximately 9.2% from Rs. 6.5 million in FY 2006 to Rs. 7.1 million in FY 2007, primarily due to increase in employee benefits.

Wealth tax. Wealth tax stayed constant at Rs. 0.1 million between FY 2006 and FY 2007.

Deferred tax. Deferred tax expense increased by approximately 20.8% from Rs. 535.3 million in FY 2006 to Rs. 646.4 million in FY 2007, primarily due to increased provisions being made in relation to allowable depreciation in accordance with CERC regulations and the income tax regulations.

Profit after tax. For the reasons stated above, profit after tax increased by approximately 11.0 % from Rs. 5,854.3 million in FY 2006 to Rs. 6,499.8 million in FY 2007.

Liquidity and Capital Resources

Our primary liquidity needs have been to finance our operations, working capital needs, debt service and capital expenditures. All of our cash and cash equivalents are held in Rupees. All of our revenues from our customers are paid in Rupees and we buy foreign currency as and when required for the purposes of paying certain capital expenditures and making payments of principal and interest on our foreign currency denominated debt.

Our accounts receivable collection cycle typically varies between 7 days and 60 days. We issue monthly invoices to our customers, typically within the first week of each month. Our customers are required to pay the full amount of such invoices within 60 days from the date of invoicing, and typically pay their invoices within the stipulated time. A few of our customers have in the past delayed payment to us, and have been charged late payment charges. In the event that the customer pays after the expiration of the 60-day period, a penalty of 1.25% per month is charged on the outstanding bill amount as late payment charges.

We fund our operational and working capital requirements primarily through our operating cash flows and cash reserves and believe that we have sufficient liquidity to fund our current operations, planned capital expenditures and repayment of our indebtedness over the next 12 months.

	Nine months ended December 31,	Year ended March 31,				
	2009	**2009**	**2008**	**2007**	**2006**	**2005**
Net cash provided by (used in) operating activities	12,889.8	15,291.7	16,458.6	18,747.5	9,414.7	8,920.6
Net cash provided by (used in) investing activities	(2,562.7)	(6,247.0)	(4,602.4)	(2,560.8)	(1,523.7)	(882.4)
Net cash provided by (used in) financing activities	(8,170.0)	(3,266.3)	(11,130.6)	(11,309.8)	(9,985.2)	(5,436.7)
Net cash and cash equivalents at period end	14,871.5	12,714.4	6,936.0	6,210.4	1,333.5	3,427.7

Net Cash Provided From (Used in) Operating Activities

Net cash provided from (used in) operating activities includes funds generated from our operating activities and payments made with respect to operating expenses such as wage and salary expenses for our employees, payments made to suppliers and contractors**.**

In the nine months ended December 31, 2009, our net cash from operating activities was Rs. 12,889.8 million, attributable primarily to cash received from our customers for sales of electricity of approximately Rs. 15,038.4 million, as offset by payments for maintenance expenses of Rs. 199.6 million, and employee wages, salaries and administrative expenses of Rs. 897.8 million.

In the year ended March 31, 2009, our net cash from operating activities was Rs. 15,291.7 million, consisting primarily of cash received from our customers for sales of electricity of approximately Rs. 14,908.6 million, as offset by payments for maintenance expenses of Rs. 390.3 million, and employee wages, salaries and administrative expenses of Rs. 1,383.6 million.

In the year ended March 31, 2008, our net cash from operating activities was Rs. 16,458.6 million, consisting primarily of cash received from our customers for sales of electricity of approximately Rs. 12,047.0 million, as offset by payments for maintenance expenses of Rs. 373.7 million, and employee wages, salaries and administrative expenses of Rs. 1,124.6 million.

In the year ended March 31, 2007, our net cash from operating activities was Rs. 18,747.5 million, consisting primarily of cash received from our customers for sales of electricity of approximately Rs.

18,875.9 million, as offset by payments for maintenance expenses of Rs. 478.4 million, and employee wages, salaries and administrative expenses of Rs. 904.9 million.

Net Cash Provided From (Used in) Investing Activities

Net cash provided (used in) from investing activities includes funds generated from our investing activities such as interest income on our cash deposits and operating accounts and cash outflows from our capital expenditures on fixed assets, construction in progress, capital work advances and spare and replacement parts for our plant, machinery and equipment.

In the nine months ended December 31, 2009, our net cash used in investing activities was Rs. 2,562.7 million, attributable primarily to capital expenditures comprising approximately Rs. 1,725.1 million for the construction of the Rampur Project and survey and investigation works on other projects, Rs. 475.2 million for acquisitions of fixed assets, plant and machinery and Rs. 362.4 million as advances for capital works.

In the year ended March 31, 2009, our net cash used in investing activities was Rs. 6,247.0 million, consisting primarily of capital expenditures comprising approximately Rs. 3,082.1 million for the construction of the Rampur Project and survey and investigation works on other projects, Rs. 2,220.5 million for acquisitions of fixed assets, plant and machinery and Rs. 944.4 million as advances for capital works.

In the year ended March 31, 2008, our net cash used in investing activities was Rs. 4,602.4 million, consisting primarily of capital expenditures comprising approximately Rs. 895.7 million for the construction of the Rampur Project and survey and investigation works on other projects, Rs. 3,264.7 million for acquisitions of fixed assets, plant and machinery and Rs. 442.0 million as advances for capital works.

In the year ended March 31, 2007, our net cash used in investing activities was Rs. 2,560.8 million, consisting primarily of capital expenditures comprising approximately Rs. 701.4 million for the construction of the Rampur Project and survey and investigation works on other projects, Rs. 1,893.6 million for acquisitions of fixed assets, plant and machinery and Rs. 34.2 million as advances for capital works.

Net Cash Provided From (Used In) Financing Activities

Net cash provided from (used in) financing activities includes cash inflows and outflows from our incurrence of short-term borrowings and related charges such as interest and bank administration expenses, as well as payments of dividends to our shareholders.

In the nine months ended December 31, 2009, our net cash used in financing activities was Rs. 8,170.0 million, attributable primarily to principal repayments on outstanding loan obligations of Rs. 3,558.6 million, interest payments of Rs. 1,218.5 million and dividend payments (including payments relating to taxes chargeable on dividend payments) of Rs. 3,392.9 million.

In the year ended March 31, 2009, our net cash used in financing activities was Rs. 3,266.3 million, consisting primarily of principal repayments on outstanding loan obligations of Rs. 1,223.6 million, interest payments of Rs. 1,939.5 million and dividend payments (including payments relating to taxes chargeable on dividend payments) of Rs. 2,550.4 million.

In the year ended March 31, 2008, our net cash used in financing activities was Rs. 11,130.6 million, consisting primarily of principal repayments on outstanding loan obligations of Rs. 5,354.9 million, interest payments of Rs. 2,215.2 million and dividend payments (including payments relating to taxes chargeable on dividend payments) of Rs. 3,560.5 million.

In the year ended March 31, 2007, our net cash used in financing activities was Rs. 11,309.8 million, consisting primarily of principal repayments on outstanding loan obligations of Rs. 5,791.2 million, interest payments of Rs. 2,940.5 million and dividend payments (including payments relating to taxes chargeable on dividend payments) of Rs. 2,578.1 million.

Off-Balance Sheet Arrangements and Financial Instruments

We have no off-balance sheet arrangements.

Capital Expenditures

Our capital expenditures consist primarily of survey and investigation costs, feasibility studies, project development costs for the construction of our hydroelectric power projects, as well as for the upgrading of existing plant, machinery and equipment currently in use at the NJHPS. Our aggregate capital expenditures for the financial years ended March 31, 2005, 2006, 2007, 2008 and 2009 amounted to approximately Rs. 922.8 million, Rs. 218.9 million, Rs. 2,523.6 million, Rs. 3,964.8 million, Rs. 5,753.6 million, respectively as well as aggregate capital expenditure for the nine months ended December 31, 2009 of Rs. 2,591.5 million.

Going forward, we may adjust our capital expenditure plans based on our future results of operations, cash flows and overall financial condition, as well as considerations such as financing costs, the condition of financial markets, the Indian economy and the Indian energy industry in general, the availability of vendor or other financing on terms acceptable to us, technical or other problems in obtaining or installing equipment, changes in our business plans and strategies and changes in the exchange rates between the U.S. dollar and the Rupee. Our capital expenditures are generally subject to the receipt of necessary approvals from the Government and state governments. For details on regulations governing us please see section titled "***Regulations and Policies in India***" on page 87.

Contractual Obligations and Commitments

The following table summarizes our payment obligations and commitments as of December 31, 2009:

	Payment due by period end			
	Total (Rs. million)	**Not longer than 1 year**	**1 to 5 years**	**> 5 years**
		(Rs. in mn)		
Short-term bank and other loans	19.8	19.8	–	–
Long-term bank and other loans	17,698.8	3,106.4	10.752.4	3,840.0
Finance lease obligations	–	–	–	–
Trade payables	3,789.9	2,635.8	1,146.1	–
Operating lease commitments	–	–	–	–
Purchase commitments	17.9	17.9	–	–
Other capital commitments	10,923.9	2,437.2	8,486.7	–
Total	**32,450.3**	**8,217.2**	**20,385.2**	**3,840.0**

For a description of our material indebtedness, please see section titled **"Financial Indebtedness"** on page 123.

Contingent Liabilities

The following table summarizes certain contingent liabilities of our Company as of December 31, 2009:

Particulars	**For the nine months ended December 31, 2009 (Rs. million)**
1. Claims against company not acknowledged as Debt:	
(a) Capital Works	5,429.7
(b) Land Compensation	144.9
(c) Disputed Service Tax Demand	123.6
(d) Others	2.0
Sub-Total	5,700.2
2. Estimated amount of contracts remaining to be executed on capital account (net of adv.) not provided for:	10,941.8
Total	16,642.0

Quantitative and Qualitative Disclosures about Market Risk

Our market risk is related principally to changes in foreign exchange rates and fluctuations in interest rates. The following discussions, constituting forward-looking statements, which involve risks and uncertainties, summarize our exposure to foreign exchange rates and interest rate movements and our policies to address these risks. We have implemented risk management methods to mitigate and control these and other market risks to which we are exposed. However, it is difficult to predict with accuracy changes in economic or market conditions and to anticipate the effects that such changes could have on our financial performance and business operations.

Foreign Exchange Rates

Our foreign currency exposures give rise to market risk associated with exchange rate movements against the Rupee, which is our reporting currency. Gains or losses resulting from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are recognized in the income statement. These balances are translated at period end exchange rates. Our foreign currency denominated indebtedness as of December 31, 2009, which includes our short-term and long-term borrowings denominated in foreign currencies, accounted for 34.8% of our total indebtedness.

We do not hedge our foreign currency exposures. However, any increase in our cost of borrowing is automatically passed on to our customers under prevailing tariff regulations. For details on our foreign currency borrowings please refer to "***Financial Indebtedness***" on page 123.

Interest Rate Risk

We may be subject to market risk due to fluctuations in interest rates. As at the date of this Red Herring Prospectus, we have one foreign currency denominated loan which bears interest at a variable rate and exposes us to rate increases. Our outstanding indebtedness under this loan constitutes approximately 1.57% of our total borrowings. Increases in interest rates will increase the cost of new borrowings, and the interest rates with respect to our outstanding floating rate debt could have a material adverse effect on our financial position. We do not currently hedge our interest rate exposure under our financial borrowings in foreign currency. However, any increase in our cost of borrowings due to fluctuations in interest rates is automatically passed on to our customers as per the current tariff regulations. Please refer to "***Financial Indebtedness***" on page 123 for details of our borrowings under floating interest rates.

Significant Developments after December 31, 2009

To our knowledge and except as disclosed herein, since the date of the last financial statements contained in this Red Herring Prospectus, no circumstances have arisen which would materially and adversely affect, or which would be likely to affect, our operations, profitability, asset values or our ability to pay our material liabilities in the next 12 months.

Unusual or Infrequent Events or Transactions

To our knowledge and except as disclosed herein, there have been no events or transactions that may be described as "unusual" or "infrequent".

Significant economic changes

To our knowledge and except as disclosed herein, there are no significant economic changes that have materially and adversely affected or are likely to have a material adverse effect on our income from continuing operations.

Known Trends or Uncertainties

To our knowledge and except as disclosed herein, there are no trends or uncertainties that have or had or are expected to have a material adverse impact on our income from continuing operations.

Future correlations between Income and Expenditure

To our knowledge and except as disclosed herein, there is no future relationship between expenditure and income that will have a material adverse impact on the operations and finances of our Company.

Seasonality

Our business is subject to seasonality. Electricity generated by our sole operational project, the NJHPS, depends on the available water supply from the Sutlej River located in the state of Himachal Pradesh. We typically generate most of our annual energy generation from the NJHPS during the monsoon season, which typically runs from June to September.

Major Customers

See "**Business—Our Projects—The NJHPS—Power Purchase Agreements**" on page 64 for a description of our major customers for the NJHPS.

Competitive Conditions

We expect competition in the power industry from existing and potential competitors to intensify. For further details regarding our competitive conditions and our main competitors, see the sections "***Risk Factors***" and "***Our Business***" beginning on pages xiii and 57, respectively.

SECTION VI: LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

Except as stated in the table below there are no outstanding litigations, suits, criminal or civil prosecutions, proceedings or tax liabilities against the Company and its Directors and there are no defaults, non-payment of statutory dues, over-dues to banks/financial institutions, defaults against banks/financial institutions, defaults in creation of full security as per terms of issue/other liabilities, proceedings initiated for economic/civil/any other offences (including past cases where penalties may or may not have been imposed and irrespective of whether they are specified under paragraph (I) of Part 1 of Schedule XIII of the Companies Act) other than an unclaimed liability of the Company and no disciplinary action has been taken by SEBI or any stock exchanges against the Company or Directors of the Company.

I. Litigation involving the Company and contingent liabilities of the Company

A. Contingent Liabilities

Details of contingent liabilities not provided for by our Company as on December 31, 2009 are provided below:

Particulars	**For the nine months ended December 31, 2009 (Rs. million)**
1. Claims against company not acknowledged as Debt:	
(a) Capital Works	5,429.7
(b) Land Compensation	144.9
(c) Disputed Service Tax Demand	123.6
(d) Others	2.0
Sub-Total	5,700.2
2. Estimated amount of contracts remaining to be executed on capital account (net of adv.) not provided for:	10,941.8
Total	16,642.0

(Rs. in million)

B. Pending Litigation against the Company

I. Criminal Cases

1. State of Himachal Pradesh has filed a Revision Petition (no. 6-S-10/2008) under Section 397 of the Code of Criminal Procedure, 1973, before the Additional District and Sessions Judge, Shimla, for setting aside of the order passed by the Judicial Magistrate, Shimla on the ground that the proceeding initiated against the Company and the personnel of the Company under section 6 of Himachal Pradesh Instrument (Control & Noises) Act, 1969 were wrongly and illegally dropped by the Judicial Magistrate. This Revision Petition is currently pending before the Additional District and Sessions Judge and the next date of hearing is May 29, 2010.

2. Laxman Singh and others filed a Criminal Complaint dated February 13, 2002 against the Company and others under Section 133 of Code of Criminal Procedure, 1973 inter alia alleging that the houses in the Nigulsari village were getting damaged as a result of wrong dumping of muck, improper drainage system and heavy blasting carried out by the Company for NJHEP. Taking suo motu notice of the Complaint, the Sub Divisional Magistrate, Nichar, Bhabanagar passed an order against the Company directing the Company to inter alia take the responsibility of shifting and resettling the affected families and to control the landslide in the village. Thereafter the Company filed a Criminal Review Petition before the District and Sessions Judge, Shimla, Himachal Pradesh, which was dismissed. Further, the Company filed a Writ Petition before the High Court of Himachal Pradesh, wherein the High Court of Himachal Pradesh directed that the Company be put in appearance before the Sub Divisional Magistrate, Nichar, Bhabanagar in terms of Section 135 (b) of the Code of Criminal Procedure, 1973. It was further directed by the High Court of Himachal Pradesh that upon appearance of the Company and cause having been shown, the Sub Divisional Magistrate, Nichar, Bhabanagar shall proceed with the matter strictly in

accordance with the provisions contained in Chapter 10 B of the Code of Criminal Procedure, 1973 and to pass a final order after giving the parties an opportunity to be heard keeping in view the jurisdictional parameters under Section 133 of the Code of Criminal Procedure, 1973. On February 27, 2006, the Company filed before the Sub Divisional Magistrate, Nichar, Bhabanagar, an application for dropping the proceedings initiated against it. Presently the matter is pending before the Sub Divisional Magistrate, Nichar, Bhabanagar. The next date of hearing for the matter is to be listed in due course of time.

3. A Criminal Case (No. 66 of 2007) under Section 336, 337, 304A of the Indian Penal Code, 1973 is pending against Mr. Davinder Wadhera, Additional General Manager of the Company in the Court of Chief Judicial Magistrate, Kinnaur at Recong Peo. The charges in this case have been framed on the basis of an FIR (No. 32/07) registered by the local police on the grounds of death of a labour who was washed away due to alleged silt flushing conducted by the Company in the river near Chaura. Presently the case is pending before the Chief Judicial Magistrate, Kinnaur at Recong Peo. The next date of hearing for the matter is May 5, 2010.

II. Civil Cases

A. Cases pertaining to Contracts

The resolution of any dispute arising under our major civil contracts is governed by a mechanism to which either party i.e. the Company or the contractor may resort to. As per the said mechanism, the dispute, at first, can be resolved internally by referring the dispute to the CMD. If the contractor is aggrieved by the decision, the said dispute is referred to the Dispute Review Board ("**DRB**"). As per the arbitration agreement entered into by the contractor and the Company, the decision of the DRB is binding on the Company and the contractor with respect to disputes which involve individual claims up to Rs. 50,000,000. However, where the claims are above Rs. 50,000,000, the Company or the contractors have an option to refer such dispute to the DRB for the second time. In the event the Company or the Contractor is not satisfied with the decision of the DRB on the second evaluation, either party has the option of referring the said dispute for arbitration, within 30 days of it receiving the final decision of the DRB. The arbitration is conducted in accordance with the Arbitration Act if the contractor is an Indian party and the ICC rules if the Contractor is a foreign party.

The outstanding disputes with respect to the major civil contracts have been classified on the basis of the projects to which they relate and are detailed as under.

a. Cases relating to Nathpa Jhakri Hydro-electric Project ("NJHEP")

(i) Contract for Construction of Civil Works for Dam, Intake and Desilting Arrangement ("Contract for Dam, Intake and Desilting")

1. Continental Foundation Joint Venture ("CFJV") has filed an Original Miscellaneous Petition (No. 374 of 2009) before the Delhi High Court against the Arbitral Tribunal's award rendered in favour of the Company in relation to the claim raised by CFJV under the Contract for Dam, Intake and Desilting entered between the Company and CFJW, for reimbursement of un-recovered increase in the minimum wages rate of local labour. The amount involved in the claim is Rs. 116,344,131. The Petition is pending before the Delhi High Court and the next date of hearing for the petition is May 24, 2010. An agreement dated March 31, 2010 has been executed between the parties for settlement of this claim. As per the agreement this claim shall be deemed to have been satisfied in totality and neither of the parties will be left with any claim in relation to these proceedings. Further, the said petition will also be withdrawn as per the agreement.

(ii) Contract for construction of civil works for Head Race Tunnel from Stn. 0 m to Stn. 16042 m including Sholding works ("Contract for HRT Works")

1. CFJV filed an Original Miscellaneous Petition (No. 375 of 2009) in the Delhi High Court against the Arbitral Tribunal's award rendered in favour of the Company in relation to the claim raised by CFJV under the Contract for HRT Works entered between the Company and CFJW, for reimbursement of un-recovered increase in the minimum wages rate of local labour. The amount involved in this claim is Rs. 97,556,109. The Petition is pending before the Delhi High Court and

the next date of hearing for the petition is May 24, 2010. An agreement dated March 31, 2010 has been executed between the parties for settlement of this claim. As per the agreement this claim shall be deemed to have been satisfied in totality and neither of the parties will be left with any claim in relation to these proceedings. Further, the said petition will also be withdrawn as per the agreement.

(iii) Contract for construction of civil works for Head Race Tunnel from Stn. 16042 m to Stn. 27295 m including Surge Shaft ("Contract for HRT and Surge Shaft")

1. Nathpa Jhakri Joint Venture ("NJJV") filed an Original Miscellaneous Petition (No. 490 of 2009) before the Delhi High Court against the Arbitral Tribunal's award in relation to the claim raised by Nathpa Jhakri Joint Venture ("NJJV") under the Contract for HRT and Surge Shaft entered between the Company and NJJV, for reimbursement of un-recovered increase in the minimum wages rate of local labour. The amount involved in this claim is Rs. 39,978,532. The Petition is pending before the Delhi High Court and the next date of hearing for the petition is May 24, 2010.

2. NJJV approached the Arbitral Tribunal for setting aside of DRB's award in relation to a dispute that arose between the Company and NJJV under the Contract for HRT and Surge Shaft signed between them. The amount involved in this claim is Rs. 70,000,000 excluding interest. This matter is presently pending before the Arbitral Tribunal and the next date of hearing will be notified in due course of time.

(iv) Contract for construction of civil works for Pressure Shaft and Power House Complex ("Contract for Pressure Shaft")

1. M/s Jaiprakash Hyundai Consortium ("JHC") has raised a claim before the Dispute Review Board ("DRB") for payment of additional expenditure incurred by JHC in completing the work under the Contract for Pressure Shaft entered between the Company and JHC, as a result of subsequent legislation having an effect of imposing additional costs on JHC in form of (i) tax on certain goods carried by road in Himachal Pradesh, (ii) additional goods tax and (iii) Himachal Pradesh Works Contract Tax and (iv) fees paid towards obtaining consent to establish under the relevant state legislations for mining. The amount involved in the claim is Rs. 4,258,999 and the interest accrued. Presently, the matter is pending before the DRB. The next date of hearing for the matter will be notified in due course of time.

2. JHC has raised a claim under the Contract for Pressure Shaft entered between the Company and JHC before DRB for (i) payment of additional cost incurred in completing the works related to the NJHEP because of delay caused by interruptions, shut-down, break down and voltage fluctuations in primary source of power provided by the Company i.e. the costs due to loss of productivity and (ii) extension of time for completion of the work under the Contract. The amount involved in the claim is Rs. 204,105,852 along with any escalation and the interest accrued. The DRB has directed JHC to club this claim with the other claims made by JHC against the Company.

3. JHC has raised a claim under the Contract for Pressure Shaft entered between the Company and JHC, before DRB claiming payments for the restoration work done by it on the instructions of the Company, as a result of the flooding of the power house complex consequent to the unprecedented flood on August 1, 2000 in river Sutlej. The restoration work involved (i) removal of silt deposited in the outfall pit and (ii) other restoration works for the NJHEP power house and TRC complex. The claimant made two separate claims of Rs. 579,325 for removal of silt deposited in the outfall pit and Rs. 53,360,040 for other restoration works along with any escalation and the interest accrued. The hearing on the matter has been concluded and the decision of the DRB is awaited.

4. JHC had raised a claim under the Contract for Pressure Shaft entered between the Company and JHC, before DRB claiming payment of Rs. 1,418,200,000 towards productivity losses, interest etc. The matter is presently pending with the DRB and the next date of hearing is will be notified in due course of time.

b. Cases relating to Rampur Hydro-electric Project ("RHEP")

(i) Package-2 - Construction of Civil Works of HRT Stn.12900 m to Stn. 15088, Surge Shaft, Pressure Shaft, Valve House Complex, TRT, Adits and Hydro-Mechanical works ("Contract for Hydro Mechanical Works and Others")

1. M/s Patel-Gammon Joint Venture ("PGJV") has raised 20 (twenty) claims under the Contract for hydro Mechanical Works and Others, before DRB. The sum total of all the claims by PGJV against the Company totals to Rs. 1,870,064,608 (approximately).

c. Other cases pertaining to Contracts

1. M/s Techno Electric and Engineering Company has filed an Appeal before the Division Bench of the High Court of Himachal Pradesh against the order of the Hon'ble Single Judge of the High Court in Arbitration Petition (No. 30 of 2007) filed by the Company before the High Court of Himachal Pradesh for setting aside the award of the Arbitral Tribunal wherein the Arbitral Tribunal had passed an award in favour of the Contractor, in relation to the claims for damages arising out of termination of the Letter of Award granted to it by the Company. The said Arbitration Petition was disposed of by the Hon'ble Single Judge of the High Court of Himachal Pradesh by its order dated June 15, 2009, allowing an amount of Rs. 632,339 to the Contractor against an award of Rs. 4,802,357 plus 18% interest per annum, which was earlier passed in favour of the Contractor by the Arbitral Tribunal. The Company deposited an amount of Rs. 763,156 in the Registry of the High Court of Himachal Pradesh on August 24, 2009 with up to date interest. The Appeal filed by the Contractor is pending before the Division Bench of the High Court and the next date of hearing for the Appeal is yet to be listed.

B. Service Matters

1. A Civil Writ Petition (No. 1657 of 2009) was filed by Pooja Ratan against the Company before the High Court of Himachal Pradesh due to non selection in the HR department of the Company against a vacant post in the said department, which the Company had advertised. The High Court has passed an interim order dated June 1, 2009 stating that any selection made by the HR department for the vacant post, during the pendency of the said petition will be subject to the final order of the High Court. Therefore, presently this petition is pending for final orders before the High Court of Himachal Pradesh and the next date of hearing for the petition is to be listed after winter vacations of HP High Court.

2. Eight Petitions (OA No. 1686/92, OA No. 496/93, OA No. 1061/96, OA No. 501/97, OA No. 1047/97, OA No. 1422/97, OA No. 1844/97, OA No. 750/97) have been filed against the Company before the High Court of Himachal Pradesh for repatriation of the petitioners to HPSEB. All these matters are currently pending before the High Court of Himachal Pradesh and the next date of hearing for the petitions is to be listed after winter vacations of HP High Court.

C. Public Interest Litigation

1. A writ petition (No. 0030 of 2064) in the nature of Public Interest Litigation has been filed by Madhav Kumar Basnet against the Company before the Supreme Court of Nepal for declaring that the procedure of the Government of Nepal to select the Company for producing, transmitting and distributing electricity for ARUN III Project was unconstitutional and invalid on several grounds including the ground that the said project should have been awarded to a private company and not a public sector enterprise. Presently, the case is pending for adjudication before the Supreme Court of Nepal. The next date of hearing for the petition is May 6, 2010.

D. Cases relating to Land Acquisition

There are 83 court proceedings filed with respect to the land acquired by the Company in relation to NJHPS. A majority of these proceedings relate to demands for enhanced compensation by the land owners. The details of these proceedings are as follows:

1. Raj Kumar Rajinder Singh and others filed a Civil Suit (No. 253 of 1995) before the High Court of Himachal Pradesh against the Company claiming that land measuring 411.12 Bighas should not have been vested in favour of the State of Himachal Pradesh. The said parcel of land is unacquired

land, possession of which has been transferred to the Company by Himachal Pradesh State Electricity Board. The State of Himachal Pradesh has also been made party to the suit. The financial implication in respect of this Civil Suit would come to an amount of Rs. 78,157,919. The Civil Suit is pending before the High Court and the next date of hearing for the Civil Suit will be notified in due course of time.

2. 37 Reference Petitions were filed by the land owners under Section 18 of the Land Acquisition Act, 1996 before the District Judge, Kinnaur, Rampur for enhancement of compensation with respect to structure on land owned by them, acquired by the Company for execution of the NJHEP. The District Judge Kinnaur, Rampur enhanced the compensation relating to structure on land in respect of only one petitioner, Charan Das in which a sum of Rs. 584,689 has already been deposited by the Company in the High Court of Himachal Pradesh. In other 36 cases, the District Judge Kinnaur, Rampur has not allowed enhancement in compensation relating to structure on land and accordingly the interest holders have preferred Regular First Appeals before the High Court of Himachal Pradesh. The Appeals are presently pending before the High Court of Himachal Pradesh. The total financial implication in respect of all these cases would be approximately Rs. 46.5 Million.

3. There are 2 apportionment cases pending before High Court of Himachal Pradesh and District Judge, Kinnaur. There is a civil suit (No. 16 of 1999) in relation to apportionment of compensation pending before the District Judge, Kinnaur, Rampur, which deals with an inter-se dispute regarding the shares of the interest holders and there is an Appeal (FAO 202 of 1994) under Section 30 of the Workmen's Compensation Act against the award of the Workmen's Compensation Commissioner dated April 25, 1994 whereby the claim of the Appellant was rejected by the Commissioner. The said appeal is pending before the District Judge, Kinnaur, Rampur and the issue arising in this case is whether the Appellant, mother of the deceased, who was an employee of the Company is entitled to apportionment of the compensation, the deceased was entitled to under the said Act. The financial liability in respect of these cases has already been discharged as the Company has deposited the due amount of compensation.

4. There are 2 land reference cases (no. 114-R/04/95/92 and 29-R/04/95/92) filed before the Court of District Judge, Kinnaur, Rampur under Section 18 of the Land Acquisition Act, 1996 for enhancement of compensation awarded by the Land Acquisition Collector in respect of the land acquired by the Company for execution of the NJHEP. The total financial implication in respect of these cases would not exceed Rs. 1.8 Million (approx.). These cases are presently pending before the Court of District Judge and the next date of hearing in each of these cases is April 20, 2010 and April 27, 2010 respectively.

5. There are 41 Reference Petitions filed against the Company before the District Court at Rampur, Bushar under Section 18 of the Land Acquisition Act, 1996 for enhancement of compensation in respect of the land acquired by the Company for execution for RHEP. Our Company has already deposited the amount of compensation awarded by the Land Acquisition Collector in all these cases amounting to Rs. 198,063,150. The net financial implication in respect of all these cases would be Rs. 485,648,450. The petitions are presently pending before the District Court.

E. Other Civil Cases

1. A Civil Suit (No. 773 of 2007) has been filed by V. K. Mittal against the Company before the High Court of Delhi claiming the possession of the property rented to the Company and recovery of damages/ mesne profits. V.K. Mittal has alleged that the Company being a tenant in the premises owned by him failed to vacate the said premises despite several reminders including a letter dated December 20, 2006. The amount involved in this suit is Rs. 2,281,360. Presently the Civil Suit is pending before the Delhi High Court and the next date of hearing for the matter is April 20, 2010.

2. There are two Civil Suits filed against the Company before the High Court of Himachal Pradesh by various parties claiming compensation for the loss caused to their land and the structures thereon on account of blasting carried out by the Company in relation to NJHEP. Presently the Civil Suits are pending before the High Court of Himachal Pradesh and the next date of hearing in each of these Civil Suits will be notified in due course of time.

3. Three Civil Suits (Nos. 35/1, 36/1 and 37/1 of 2008) have been filed by M/s Kundan Lal Hari Ram before the High Court of Himachal Pradesh against the Company before the Civil Judge, Senior Division, Shimla, for declaring the penalty imposed by the Company on account of delay in execution of works awarded to M/s Kundan Lal Hari Ram by the Company in relation to the NJHEP, as illegal, arbitrary and void. Total financial implication in respect of these cases against the Company comes to Rs. 71,254. Presently, these Civil Suits are pending before the High Court of Himachal Pradesh and the next date of hearing will be notified in due course of time.

4. Abhishek Rai filed a Civil Writ Petition (No. 1105 of 2007) before the High Court of Himachal Pradesh with a prayer that no mega commercial project in District Kullu shall use sand and gravel (Bazri) which has been procured from District Kullu. A stay order dated July 26, 2007 was passed by the High Court to the effect that no mega commercial project in District Kullu shall use sand and gravel (Bazri) which has been procured from District Kullu. The Company was not party to the writ petition but subsequently, as the major part of the Rampur Hydro-electric Project comes under District Kullu, the Company filed an application dated August 5, 2007, for becoming a party to the Writ Petition which was allowed. Another application for modification/ vacation of the stay order was filed. Consequently, the stay order dated July 26, 2007 was modified to the extent that the Company shall procure sand and gravel from the duly authorised persons, who are registered with the Department of Industries. The Civil Writ Petition is pending before the High Court of Himachal Pradesh and the next date of hearing will be notified in due course of time.

5. A Regular First Appeal (No. 343 of 2005) has been filed by Mr. C.L. Sharma, a contractor, against the order of the Civil Judge, Senior Division, Shimla rendered in a suit for recovery filed by the appellant for the recovery of arrears of rent amounting to Rs. 398,180 from the Company. The said suit for recovery was decided in favour of the Company by the Civil Judge, Senior Division, Shimla and the Company was held liable only for the payment of Rs. -8,500 as arrears of rent against the amount claimed by the appellant. The matter is presently pending before the District and Sessions Judge, Shimla and the next date of hearing for the matter is May 22, 2010.

6. Sanu Ram filed a Civil Suit (no. 11/1 of 2009) before the Court of Civil Judge (Senior Division), Karsog Camp at Anni District, Himachal Pradesh seeking a permanent prohibitory injunction against the Company to restrain the Company from constructing any road or raising any superstructure and uprooting/ damaging the Safeda trees over the land owned by him. The suit is pending before the Court and the next date of hearing for the matter will be notified in due course of time.

C. Litigation by the Company

I. Civil Cases

A. Cases pertaining to Contracts

The resolution of any dispute arising under our major civil contracts is governed by a mechanism to which either party i.e. the Company or the contractor may resort to. As per the said mechanism, the dispute, at first, can be resolved internally by referring the dispute to the CMD. If the contractor is aggrieved by the decision, the said dispute is referred to the Dispute Review Board ("**DRB**"). As per the arbitration agreement entered into by the contractor and the Company the decision of the DRB is binding on the Company and the contractor with respect to disputes which involve individual claims up to Rs. 50,000,000. However, where the claims are above Rs. 50,000,000, the Company or the contractors have an option to refer such dispute to the DRB for the second time. In the event the Company or the Contractor is not satisfied with the decision of the DRB on the second evaluation, either party has the option of referring the said dispute for arbitration, within 30 days of it receiving the final decision of the DRB. The arbitration is conducted in accordance with the Arbitration Act if the contractor is an Indian party and the ICC rules if the Contractor is a foreign party.

The outstanding disputes with respect to the major civil contracts have been classified on the basis of the projects to which they relate and are detailed as under.
Cases relating to NJHEP

a. Cases pertaining to NJHEP

(i) Contract for construction of Civil Works for Dam, Intake and Desilting Arrangement ("Contract for Dam")

1. The Company has filed a Civil Suit (No. 67 of 2005) before the High Court of Himachal Pradesh for setting aside of DRB's award in relation to a dispute arising between the Company and CFJV under the Contract for Dam signed between them. CFJV filed a claim before the DRB claiming reimbursement of alleged additional cost incurred by it as a result of non availability of access along the right bank of the river to the DT Baching plant. It was alleged by CFJV that it was the exclusive responsibility of the Company to provide such access as per the terms of the Contract for Dam. The DRB passed an award in favour of CFJV. Dissatisfied with the award the Company filed the aforesaid Civil Suit. In the said Civil Suit, a written statement was filed by CFJV and a replication to the written statement has been filed by the Company. The amount involved in this Civil Suit is Rs. 5,939,600 excluding interest. This Civil Suit was returned by the High Court of Himachal Pradesh, for lack of jurisdiction and the Company was directed to file the suit fresh before the High Court of Delhi (Civil Suit No. of 2009). Accordingly, the suit in relation to the said dispute was filed before the High Court of Delhi and is presently pending before the Delhi High Court and the next date of hearing is July 9, 2010. An agreement dated March 31, 2010 has been executed between the parties for settlement of this claim. As per the agreement this claim shall be deemed to have been satisfied in totality and neither of the parties will be left with any claim in relation to these proceedings. Further, the said Civil Suit will also be withdrawn as per the agreement.

2. The Company has filed a Civil Suit (No. 786 of 2009) before the High Court of Delhi for setting aside of DRB's award in relation to a dispute arising between the Company and CFJV under the Contract of Dam signed between them. CFJV filed a claim before the DRB claiming: (a) Service tax on Insurance Premium (b) Overhead charges on road barrier tax and on service tax on insurance premium (c) Interest on (a) and (b) (for the period up to August 31, 1996) in relation to the NJHEP. The DRB passed an award in favour of CFJV. Dissatisfied with the award the Company filed the aforesaid Civil Suit. In the said Civil Suit, a written statement was filed by CFJV and a replication to the written statement has been filed by the Company. The amount involved in this Civil Suit is Rs. 6,198,523 excluding interest. This Civil Suit was returned by the High Court of Himachal Pradesh, for lack of jurisdiction and the Company was directed to file the suit fresh before the High Court of Delhi. Accordingly, the suit in relation to the said dispute was filed before the High Court of Delhi and is presently pending before the Delhi High Court and the next date of hearing is April 19, 2010. An agreement dated March 31, 2010 has been executed between the parties for settlement of this claim. As per the agreement this claim shall be deemed to have been satisfied in totality and neither of the parties will be left with any claim in relation to these proceedings. Further, the said Civil Suit will also be withdrawn as per the agreement.

3. The Company has filed an Original Miscellaneous Petition (No. 128 of 2009), before the High Court of Delhi for setting aside of the award passed by the Arbitral Tribunal in relation to a dispute arising between the Company and CFJV under the Contract for Dam signed between them. CFJV filed a claim before the Arbitral Tribunal in respect of running costs of DG set incurred by it in completing the works under the Contract for Dam on account Company's failure to provide power facilities at the NJHEP site. The Arbitral Tribunal passed an award in favour of CFJV. Dissatisfied with the award the Company filed the aforesaid petition. The amount involved in this Petition is Rs. 74,686,114 excluding interest. This Civil Suit was returned by the High Court of Himachal Pradesh, for lack of jurisdiction and the Company was directed to file the suit fresh before the High Court of Delhi. Accordingly, the suit in relation to the said dispute was filed before the High Court of Delhi and is presently pending before the Delhi High Court and the next date of hearing is July 16, 2010. An agreement dated March 31, 2010 has been executed between the parties for settlement of this claim. As per the agreement this claim shall be deemed to have been satisfied in totality and neither of the parties will be left with any claim in relation to these proceedings. Further, the said petition will also be withdrawn as per the agreement.

(ii) Contract for Construction of civil works for Head Race Tunnel from Stn. 0 m to Stn. 16042 m including Sholding works ("Contract for HRT")

1. The Company has filed a Civil Suit (No. 884 of 2009) before the High Court of Delhi for setting aside of DRB's award in relation to a dispute arising between the Company and CFJV under the Contract for HRT signed between them. CFJV filed a claim before the DRB claiming (a) service tax on insurance premium (b) overhead charges on road barrier tax and on service tax on insurance premium (c) Interest on (a) and (b) (for the period up to August 31, 1996). The DRB passed an award in favour of CFJV. Dissatisfied with the award the Company filed the aforesaid Civil Suit. A Written Statement was filed by CFJV and a Replication to the written statement was filed by the Company. The amount involved in this civil suit is Rs 11,434,445 excluding interest. The Civil Suit is presently pending before the Delhi High Court and the next date of hearing is April 19, 2010. An agreement dated March 31, 2010 has been executed between the parties for settlement of this claim. As per the agreement this claim shall be deemed to have been satisfied in totality and neither of the parties will be left with any claim in relation to these proceedings. Further, the said Civil Suit will also be withdrawn as per the agreement.

2. The Company has filed a Civil Suit (No. 46 of 2002) before the High Court of Delhi for setting aside of DRB's award in relation to a dispute arising between the Company and CFJV under the Contract for HRT signed between them. CFJV filed a claim before the DRB claiming reimbursement of additional costs for haulage of muck incurred due to unforeseen increase in both the load and lift of the Wadhal approach site. The DRB passed an award in favour of CFJV. Dissatisfied with the award the Company filed the aforesaid Civil Suit. The amount involved in this civil suit is Rs 1,738,291 excluding interest. The suit was returned by the Hon'ble High Court of HP for lack of territorial jurisdiction and the same has been filed before the Hon’ble Delhi High Court. The date of first hearing will be notified in due course of time. An agreement dated March 31, 2010 has been executed between the parties for settlement of this claim. As per the agreement this claim shall be deemed to have been satisfied in totality and neither of the parties will be left with any claim in relation to these proceedings. Further, the said Civil Suit will also be withdrawn as per the agreement.

3. The Company filed an Original Miscellaneous Petition (No. 183 of 2009) under Section 34 of the Arbitration and Conciliation Act, 1996, before the High Court of Delhi, against the award of the Arbitral Tribunal dated August 2, 2007, granted in favour of CFJV, in respect of the claim of the Company for reimbursement of the running cost of the generators. The Company was required to run generators because of excessive power shut down and low voltage supply. The amount involved in this civil suit is Rs 95,192,233 excluding interest. This petition is presently pending before the Delhi High Court and the next date of hearing is July 16, 2010. An agreement dated March 31, 2010 has been executed between the parties for settlement of this claim. As per the agreement this claim shall be deemed to have been satisfied in totality and neither of the parties will be left with any claim in relation to these proceedings. Further, the said petition will also be withdrawn as per the agreement.

4. The Company filed an Arbitration Petition (No. 58 of 2003) before the High Court of Himachal Pradesh under Section 34 of the Arbitration and Conciliation Act, 1996 against Arbitral Tribunal's award dated January 16, 2002, granted in favour of CFJV, in respect of the claim of admissibility of 1% discount on the quoted rates by the contractor. The amount involved in this Petition is Rs. 90,282,569 excluding interest. The matter is reserved for judgment. An agreement dated March 31, 2010 has been executed between the parties for settlement of this claim. As per the agreement this claim shall be deemed to have been satisfied in totality and neither of the parties will be left with any claim in relation to these proceedings. Further, the said petition will also be withdrawn as per the agreement.

5. The Company has filed an Original Miscellaneous Petition (No. 97 of 2010), before the Delhi High Court for the setting aside of a decision of the Arbitral Tribunal in favour of CFJV in relation to extension of time and cost compensation claimed by CFJV. The contract provided for completion of all relevant work on September 26, 1998. The work was not completed until June 9, 2003 resulting in a delay of 59.3 months. Accordingly, CFJV raised a claim for extension of time and cost compensation for the extended period (ie. the duration of the delay). The Arbitral Tribunal granted an award in favour of CFJV for approximately Rs. 730 million inclusive of interest. The

next hearing is scheduled to take place on August 16, 2010. An agreement dated March 31, 2010 has been executed between the parties for settlement of this claim. As per the agreement this claim shall be deemed to have been satisfied in totality and neither of the parties will be left with any claim in relation to these proceedings. Further, the said petition will also be withdrawn as per the agreement.

(iii) Contract for Construction of civil works for Head Race Tunnel from Stn. 16042 m to Stn. 27295 m including Surge Shaft ("Contract for Head Race Tunnel and Surge Shaft")

1. The Company has filed a Civil Suit (No. 1278 of 2009) before the High Court of Delhi for setting aside of DRB's award in relation to a dispute arising between the Company and NJJV under the Contract for Head Race Tunnel and Surge Shaft signed between them. NJJV filed a claim before the DRB claiming damages arising out of increase of drilling time due to unforeseen appearance of quartzite hard rock, in the excavation of the tunnel as part of the NJHEP. The DRB passed an award in favour of NJJV. Dissatisfied with the award the Company filed the aforesaid Civil Suit. The amount involved in this Civil Suit is Rs. 23,087,522 excluding interest. This civil suit is presently pending before the Delhi High Court and the next date of hearing is July 6, 2010.

2. The Company has filed a Civil Suit (No. 1277 of 2009) before the High Court of Delhi for setting aside of DRB's award in relation to a dispute arising between the Company and NJJV under the Contract for Head Race Tunnel and Surge Shaft signed between them. NJJV filed a claim before the DRB claiming refund of alleged excess recovery of electricity bills recovered by the Company from NJJV. The DRB passed an award in favour of NJJV. Dissatisfied with the award the Company filed the aforesaid Civil Suit. The amount involved in this Civil Suit is Rs. 8,529,374 excluding interest. This Civil Suit is presently pending before the Delhi High Court and the next date of hearing is July 6, 2010.

3. The Company has filed a Civil Suit (No. 56 of 2004) before the High Court of Himachal Pradesh for setting aside of DRB's award in relation to a dispute arising between the Company and NJJV under the Contract for Head Race Tunnel and Surge Shaft signed between them. NJJV filed a claim before the DRB in respect of application of a new method of excavation called 'Temporary Dress Methodology' for completing the NJHEP, which was not envisaged in the Contract. NJJV claimed higher rates for the work done as the excavation could not be done as per the technical specifications, bill of quantities, tender drawings and general conditions of the Contract for Head Race Tunnel because of an extraordinary geological occurrence. The DRB passed an award in favour of NJJV. Dissatisfied with the award the Company filed the aforesaid Civil Suit. The amount involved in this civil suit is Rs. 3,182,293 excluding interest. The Hon'ble High Court of Himachal Pradesh vide its order dated 16.09.09 directed that suit to be refiled before the hon'ble high court of Delhi being the court of competent jurisdiction. The same is under process.

4. The Company has filed an appeal No, RFA 12/10 before the Division Bench of the Delhi High against the order of the High Court of Delhi wherein the Hon'ble High Court dismissed the Civil Suit (No. 525 of 2009) before the High Court of Delhi for setting aside of DRB's award in relation to a dispute arising between the Company and NJJV under the Contract for Head Race Tunnel and Surge Shaft signed between them. NJJV filed a claim before the DRB claiming a waiver of recovery of interest by the Company, on the deferred contractual advances which were on account of the contractual problems and related financial constraints. The DRB passed an award in favour of NJJV. Dissatisfied with the award the Company filed the aforesaid Civil Suit. The amount involved in this Civil Suit is Rs. 48,636,869 excluding interest. The next date of hearing is April 21, 2010.

5. The Company has filed a Original Miscellaneous Petition (No. 714 of 2009) before the High Court of Delhi for setting aside of Appellate Tribunal's award in relation to a dispute arising between the Company and NJJV under the Contract for Head Race Tunnel and Surge Shaft signed between them. Thereafter NJJV filed a claim before the DRB claiming payment on account of the loss of productivity because of the flash floods at Mangland. The Appellate Tribunal passed an award in favour of NJJV. Dissatisfied with the award the Company filed the aforesaid Original

Miscellaneous Petition. The amount involved in this Original Miscellaneous Petition is Rs. 120000,000. This Original Miscellaneous Petition is presently pending before the Delhi High Court and the next date of hearing is July 20, 2010.

6. The Company has approached the Arbitral Tribunal for setting aside of DRB's award in relation to a dispute that arose between the Company and NJJV under the Contract for Head Race Tunnel and Surge Shaft signed between them. The claim of NJJV before the DRB was in respect of payment for rock reconstruction i.e. additional excavation, loading and backfilling with concrete, carried out in the Head Race Tunnel on the instructions of the engineer in charge, for the last 3 years amounting to Rs. 83,006,721 excluding interest. This matter is presently pending before the Arbitral Tribunal and the next date of hearing will be notified in due course of time.

7. The Company has approached the Arbitral Tribunal for setting aside of DRB's award in relation to a dispute that arose between the Company and NJJV under the Contract for Head Race Tunnel and Surge Shaft signed between them. NJJV claimed before the DRB that there existed an agreement, which was reached during the pre bid meeting, that the custom duty on import of steel plates would be considered at 25%. However, the Company claimed that the prevailing rate of customs duty at that point in time would prevail i.e. 30%. DRB passed an award in favour of NJJV. The amount involved in the claim is Rs. 72,381,760 excluding interest. This matter is presently pending before the Arbitral Tribunal and the next date of hearing will be notified in due course of time.

(iv) Contract for Construction of civil works for Pressure Shaft and Power House Complex ("Contract for Pressure Shaft")

1. The Company has filed a Civil Suit (No. 105/1 of 2005) before the Civil Judge (Senior Division), Shimla, Himachal Pradesh for setting aside of DRB's award in relation to a dispute arising between the Company and M/s Jaiprakash Hyundai Consortium ("JHC") under the Contract for Pressure Shaft signed between them. JHC filed a claim before the DRB claiming that work done by them namely construction and demolition of concrete plug at the exit end of tail race tunnel was an additional work, in addition to the work stipulated in the Contract for Pressure Shaft and therefore JHC is entitled to reimbursement of Rs 606,800. The DRB in its recommendation allowed JHC a reimbursement for an amount of Rs 304,300. Dissatisfied with the award the Company filed the aforesaid Civil Suit. This Civil Suit is presently pending before the Civil Judge (Senior Division), Shimla, Himachal Pradesh and the next date of hearing is April 24 2010.

2. The Company has filed a Civil Suit (No. 1708 of 2008) before the High Court of Delhi for setting aside of DRB's award in relation to a dispute arising between the Company and JHC under the Contract for Pressure Shaft signed between them. JHC filed a claim before the DRB claiming reimbursement of extra cost for generating power by DG sets for fulfilling its obligations under the Contract for Pressure Shaft. The amount involved in this Civil Suit is Rs. 18,310,703. This Civil Suit is presently pending before the Delhi High Court and the next date of hearing is May 21, 2010.

3. The Company has filed an Original Miscellaneous Petition (No. 222 of 2008) before the High Court of Delhi under Section 34 of the Arbitration and Conciliation Act, 1996, for setting aside of Arbitral Tribunal's award in relation to a dispute arising between the Company and JHC under the Contract for Pressure Shaft signed between them. JHC filed a claim before the DRB claiming reimbursement of extra cost incurred by it in relation to conversion of the electricity supplied to it by the Company, into the required voltage i.e. either the electricity had to be converted to high tension or to low tension. The DRB accepted the claim of JHC which was not acceptable to the Company. Therefore, JHC referred the claim amounting to Rs. 27,195,687 plus interest before Arbitral Tribunal for its adjudication and the Arbitral Tribunal awarded an amount of Rs. 39,758,000 and future interest @ 16% (simple) p.a. in favour of JHC. Dissatisfied by the said award, the Company filed the aforesaid Original Miscellaneous Petition. This Original Miscellaneous Petition is presently pending before the Delhi High Court and has been put up for final hearing.

4. The Company has filed an Original Miscellaneous Petition (No. 395 of 2009) before the High Court of Delhi under Section 34 of the Arbitration and Conciliation Act, 1996, for setting aside of Arbitral Tribunal's award in relation to a dispute arising between the Company and JHC under the

Contract for Pressure Shaft signed between them. JHC filed a claim of Rs. 282,857,000 before the DRB claiming on account of its employees being entitled to higher wages by virtue of the notification passed by the Government of Himachal Pradesh providing for the same. The DRB rejected the claim of JHC. Not satisfied with the decision of the DRB, JHC referred the claim amounting to Rs 660,300,000 before the Arbitral Tribunal. The Arbitral Tribunal passed an award in favour of JHC for an amount of Rs. 552,700,000 plus future interest @ 16% per annum. Dissatisfied with the arbitral award, the Company filed the aforesaid Original Miscellaneous Petition. This Original Miscellaneous Petition is presently pending before the Delhi High Court and the next date of hearing is July 19, 2010.

5. The Company has filed a Civil Suit (No. 958 of 2009) before the High Court of Delhi for setting aside of DRB's award in relation to a dispute arising between the Company and JHC under the Contract for Pressure Shaft signed between them. JHC filed a claim before the DRB claiming additional payment for providing stiffener rings on the steel liner to give support to the steel liner. The claim of JHC is of an amount of Rs. 15,310,000 for the work done upto October 26, 1997 along with escalation. The DRB gave its recommendations in favour of JHC but did not quantify the amount of the said claim. Dissatisfied with the award the Company filed the aforesaid Civil Suit. For decree of declaration the present suit has been valued at Rs 4,777,890. This Civil Suit is presently pending before the Delhi High Court and the next date of hearing is May 21, 2010.

6. The Company has filed a Civil Suit (No. 1072 of 2009) before the High Court of Delhi for setting aside of DRB's award in relation to a dispute arising between the Company and JHC under the Contract for Pressure Shaft signed between them. JHC filed a claim before the DRB claiming additional payment for providing for the welding costs of the stiffener rings, to be attached to the steel liner to give support to the steel liner. The claim of JHC is of an amount of Rs. 26,742,000 for the work done from October 7, 1997 up to March 31, 1999 along with escalation and interest. DRB gave its initial observations and recommendations on August 6, 2005 and the final observations and recommendation on November 21, 2006 in favour of the JHC in respect of additional payment for providing stiffener rings on Pressure Steel Liner as per revised welding seams period upto March 31, 1999, amounting to Rs. 31,074,455 excluding interest. Dissatisfied with the award the Company filed the aforesaid Civil Suit. This Civil Suit is presently pending before the Delhi High Court and the next date of hearing is May 21, 2010.

7. The Company has approached the Arbitral Tribunal for setting aside of DRB's award in relation to a dispute that arose between the Company and JHC under the Contract for Power House Complex. Prior to referring the dispute to the arbitral tribunal our Company has raised a recovery of certain payments made to JHC which was inadvertently paid. JHC contested the recovery amount raised by our Company before the DRB. The DRB gave its recommendation in favour of JHC. The Company instituted arbitration proceedings on July 17, 2009, to challenge the aforesaid recommendations of the DRB and claimed that the sum of Rs. 137,820,984 paid to JHC by the Company be refunded to the Company with an interest @18% p.a on the said amount. The Company has filed a claim statement as directed by the Arbitral Tribunal. This matter is pending before the Arbitral Tribunal and the next date of hearing will be notified in due course of time.

B. Other Cases pertaining to Contracts

1. The Company has filed an Arbitration Petition (No. 54 of 2005) under Section 34 of the Arbitration and Conciliation Act, 1996 before the High Court of Himachal Pradesh for setting aside of the award of the learned arbitrator dated May 30, 2005. The learned arbitrator had passed an award against the Company in relation to the payment to be made to Indo Power Plant Construction Power Limited under a contract for performance of works for the NJHEP. The total amount involved in this petition is approximately Rs 1,602,995. Aggrieved by the said award the Company has filed the aforesaid application for setting aside of this award. The High Court of Himachal Pradesh by its order dated March 9, 2010 noted that the finding of the Arbitral Tribunal was contradictory. As a result, both parties shall appear before the Presiding Officer of the Tribunal on the next date of hearing for the matter on April 19, 2010.

C. Service Matters

1. The Company filed Letter Patent Appeal before the High Court of Himachal Pradesh for setting aside of the judgement of High Court of Himachal Pradesh dated May 31, 2007 wherein the Hon'ble court allowed the Civil Writ Petitions filed by Manmeet Gupta and R. M. Sharma, employees of the Company, claiming promotion in their jobs which had allegedly been postponed by the Company. The said Appeal is pending before the High Court of Himachal Pradesh and the next date for hearing will be notified in due course of time.

2. A Civil Suit (No. 22/1 of 2008) has been filed by the Company in the court of the Civil Judge (Junior Division), Shimla, for recovery of advance of Rs. 168,086 sanctioned to M.T. Reddy, (Personnel Officer, SJVN) who left the job without making the repayment of the said advance to the Company. A written statement was filed by the defendant on June 10, 2008. The Civil Suit is pending before the Civil Judge and the next date of hearing in this matter will be notified in due course of time.

3. The Company filed two Civil Suits (Nos. 1 of 1999 and 26 of 2005) against its employees before the Court of Civil Judge, Junior Division, Rampur, Shimla for recovery of certain amount due from them. In each of these Civil Suits, Civil Judge, Junior Division, Rampur, Shimla passed orders in the favour of the Company. Thereafter the Company filed execution petitions for the execution of the above orders before the Civil Judge, Junior Division, Rampur, Shimla. However, the said execution petitions were transferred to the Court of Additional Chief Judicial Magistrate, Bhiwani, Jaipur and are presently pending and a sum of Rs. 31,250 is liable to be recovered. The next date of hearing in each of these Civil Suits will be notified in due course of time.

D. Cases relating to land acquisition

There are 10 court proceedings filed with respect to the land acquired by the Company in relation to various projects. A majority of these proceedings relate to demands for enhanced compensation by the land owners. The project wise details of these proceedings are as follows:

1. There are 3 Special Leave Petitions filed by the Company for setting aside of the orders of the High Court of Himachal Pradesh wherein the Hon'ble High Court permitted the award of higher compensation to certain land owners whose lands had been acquired by the Company for the NJHEP. After the compensation for such acquisition was awarded by the Land Acquisition Collector, the land owners being dissatisfied by the award sought reference under Section 18 of the Land Acquisition Act, 1996 claiming enhanced compensation. The District Judge (Forests) passed an order enhancing the compensation payable to the land owners. However, the land owners being dissatisfied with the said order preferred Regular First Appeals before the High Court of Himachal Pradesh. The High Court of Himachal Pradesh allowed the said appeals and passed orders in favour of the land owners. Aggrieved by the said orders of the High Court of Himachal Pradesh, the Company filed the said Special Leave Petitions in the Supreme Court of India which were admitted and notice issued. The appeals are still pending before the Supreme Court. The next date of hearing for one of these appeals is July 3, 2010 and the hearing dates for the remaining two claims will be notified in due course of time.

2. The Company has filed a Special Leave Petition (No. 1523 of 2003) before the Supreme Court of India for setting aside of the order dated August 29, 2002 passed by the High Court of Himachal Pradesh in Civil Miscellaneous Petition (No. 4 of 2002) wherein the Hon'ble High Court directed the District Judge, Kinnaur, Rampur to release the amount of compensation due and the payable to Daulat Ram Negi. The said Special Leave Petition was admitted by the Supreme Court of India. Presently, the decision on the same is pending and the next date of hearing will be notified in due course of time

3. The Company has filed a Special Leave Petition (No. 4234 of 2009) before the Supreme Court of India for setting aside of the order passed by the High Court of Himachal Pradesh in LPA (No. 8 of 2004) wherein the High Court held that Taul Dasi was entitled to the benefits of resettlement and rehabilitation scheme of the Company as her land had been acquired by the Company for NJHEP. The said Special Leave Petition was admitted by the Supreme Court of India. Presently, the

decision on the same is pending and the next date of hearing for the matter will be notified in due course of time.

The total amount involved in the above five proceedings mentioned in points 1, 2 and 3 above is approximately Rs 7,728,800.

4. The Company has filed a Special Leave Petition for setting aside of the judgment and order of the High Court of Himachal Pradesh dated July 3, 2008 which dismissed the appeal filed by the Company and allowed the cross appeal filed by the land owners including Late Raj Kumar Rajinder Singh for enhancement of compensation in respect of the land acquired for the NJHEP. The Company has deposited the requisite amount of compensation in the High Court of Himachal Pradesh. The amount involved in this matter is Rs 53,473,479. The petition is currently pending adjudication before the Supreme Court. The next date of hearing for the petition will be notified in due course of time.

5. There are four Appeals filed before the High Court of Himachal Pradesh by the Company against the orders of the District Judge, Kinnaur at Rampur awarding compensation to the land owners on account of blasting carried out by the Company in relation to the NJHEP. In each of these appeals, the Company has disputed the amount of compensation awarded to the land owners. Presently all the Appeals are pending before the High Court of Himachal Pradesh and the next date of hearing in each of these appeals will be notified in due course of time.

The amount involved in the above four proceedings and the two similar suits filed for compensation from losses caused from blasting, as mentioned in point 2 of clause II E- "**Other Civil Cases**" of this section on page 150, aggregates to approximately Rs 4,442,460

E. Income Tax Litigations:

1. Assessment year 2004-05

Our Company has filed an appeal before the Commissioner of Income Tax (Appeals) against the assessment order of the Assessing Officer for the assessment year 2004-05 wherein the Assessing Officer had disallowed the capitalization of certain expenses relating to wages etc. incurred by the Company during the construction of the NJHEP. The hearing has been concluded and the orders of the Commissioner of Income Tax (Appeals) are awaited.

2. Assessment year 2006-07

Our Company has filed an appeal before the Commissioner of Income Tax (Appeals) against the assessment order of the Assessing Officer for the assessment year 2006-07 wherein the Assessing Officer had disallowed capitalization of a certain amount of depreciation charged in the books of accounts of the Company and contingent unascertained liabilities such as leave encashment, post retirement medical benefit etc during the said assessment year. The hearing has been concluded and the orders of the Commissioner of Income Tax (Appeals) are awaited.

3. Assessment Year 2007-08

Our Company has filed an appeal before the Commissioner of Income Tax (Appeals) against the assessment order of the Assessing Officer for the assessment year 2007-08 wherein the Assessing Officer had disallowed excess depreciation charged in the books of accounts of the Company and contingent unascertained liabilities such as leave encashment, post retirement medical benefit etc during the said assessment year. The first hearing on the matter is yet to take place.

F. Service Tax Matters:

1. The Commissioner, Central Excise, Chandigarh issued a show cause notice (C. No. V(STC)15/CE/ADJ/69/2008/8245) dated October 20, 2008 to the Company raising a demand of service tax amounting to Rs.133.32 million (including education cess and secondary and higher education cess) along with interest and penalty. The demand has been raised on account of failure to deposit service tax on payments made in convertible foreign exchange to foreign consultants,

contractors and experts located outside India. The Company replied to the said show cause notice *vide* its letter no.A-II/ST/2009/7201 dated January 14, 2009 wherein it admitted a service tax liability of Rs. 9.73 million and deposited the same to the credit of the government on January 16, 2009. However, the Company disputed the service tax liability amounting to Rs.123.58 million on various grounds which *inter alia* include grounds such as certain payments were made for supply of goods which is not chargeable to service tax, some payments were made for civil contracts and erection and commissioning services which were exempt from service tax in the relevant period, certain payment were made as advance to consultants for which tax would be paid on receipt of services and that certain amounts included in the demand have already been deposited by the Company. The matter is currently pending and the next date of hearing will be notified in due course of time will be notified in due course of time.

G. Proceedings initiated against our Company or its Directors for economic offences

There are no proceedings initiated against our Company for any economic offences.

The disclosures on outstanding litigation in respect of the Directors of the Company have been restricted to such litigation, actions, proceedings and notices etc. which are issued or pending against the Directors in their personal capacity or in their capacity as the Directors of the Company.

Further, there are no outstanding litigation, actions, proceedings and notices etc. initiated against of our Directors in their personal capacity or as a Director of our Company including litigation in relation to economic offences.

H. Details of past penalties imposed on our Company by the authorities concerned

Except as stated in this section, there are no past penalties imposed on our Company by the authorities concerned.

I. Potential Litigation against our Company

Except as stated in this section, there are no potential litigations against our Company that we are currently aware of or in connection with which, we have received notice.

J. Adverse findings against our Company as regards compliance with the securities laws

There are no adverse findings against our Company as regards compliance with the securities laws.

K. Material Developments since the Last Balance Sheet Date

Except as disclosed in the section titled ***"Management's Discussion and Analysis of Financial Condition and Results of Operations"*** on page 127, in the opinion of our Board, there have not arisen, since the date of the last financial statements disclosed in this Red Herring Prospectus, any circumstances that materially or adversely affect or are likely to affect our profitability taken as a whole or the value of our consolidated assets or our ability to pay material liabilities within the next 12 months.

L. Outstanding dues to small scale undertaking(s) or any other creditors

There are no outstanding dues above Rs. 0.1 million to small scale undertaking(s) or any other creditors by our Company, for more than 30 days.

M. Outstanding Litigation against other companies whose outcome could have an adverse effect on our Company

Except as disclosed in this section, there are no outstanding litigation, suits, criminal or civil prosecutions, statutory or legal proceedings including those for economic offences, tax liabilities, show cause notices or legal notices pending against any company whose outcome could have a material adverse effect on the position of our Company.

N. Litigations against the Directors involving violation of statutory regulations or alleging criminal offence

The disclosures on outstanding litigation in respect of the Directors of the Company have been restricted to such litigation, actions, proceedings and notices etc. which are issued or pending against the Directors in their personal capacity or in their capacity as the Directors of the Company.

Further, there are no litigation, actions, proceedings and notices etc. initiated against any of the Directors either in a personal capacity or as a Director of our Company including the violation of statutory regulations or alleging criminal offence.

O. Criminal/ civil prosecution against the Directors for any litigation towards tax liabilities

The disclosures on outstanding litigation in respect of the Directors of the Company have been restricted to such litigation, actions, proceedings and notices etc. which are issued or pending against the Directors in their personal capacity or in their capacity as the Directors of the Company.

Further, there are no litigations, actions, proceedings and notices etc. initiated against any of the Directors either in a personal capacity or as a Director of our Company including criminal/ civil prosecutions for any litigation towards tax liabilities.

GOVERNMENT AND OTHER APPROVALS

In view of the approvals listed below, we can undertake the Offer and our current business activities and no further major approvals from any governmental or regulatory authority or any other entity are required to undertake the Offer or continue our business activities. Unless otherwise stated, these approvals are all valid as on the date of this Red Herring Prospectus. For further details in connection with the regulatory and legal framework within which we operate in India, see section titled ***"Regulations and Policies in India"*** on page 87.

A. APPROVALS FOR THE OFFER

Corporate Approvals

Our Board of Directors has, pursuant to resolutions passed at its meeting held on April 13, 2010, noted the approval for disinvestment by the MoP.

Further, our Board of Directors has, pursuant to resolutions passed at its meeting held on April 13, 2010, authorised our Company to take necessary action for filing of this Red Herring Prospectus with SEBI in line with the decision taken earlier by the Board of Directors in its meeting.

Approvals from the MoP

The MoP has through letter dated April 13, 2010 bearing No. 23/24/2009-H-II granted approval for the disinvestment of 415,000,000 Equity Shares of our Company amounting to approximately 10.03% of the GoI shareholding in our Company.

In-principle approvals from BSE and NSE

We have received in-principle approvals from the BSE and the NSE for the listing of our Equity Shares pursuant to letters dated March 11, 2010 and March 12, 2010, respectively.

NSE is the Designated Stock Exchange.

FIPB and RBI Approval

The FIPB through its letter bearing no. 6\23\2010 – FJU dated April 13, 2010 has clarified that no FIPB approval is required for the transfer of the Equity Shares to non resident investors. Further, the RBI vide its letter dated April 15, 2010 and bearing no. FE.CO.FID.No.- /10.21.185/2009-10 has confirmed that it has no objection to the transfer of 415,000,000 Equity Shares by the President of India, acting through the Ministry of Power, Government of India

B. APPROVALS FOR PROJECTS

I. OPERATIONAL PROJECT

Nathpa Jhakri Hydro-electric Project

S No.	Description	Ref./License No.	Issue date	Expiry date	Authority granting approval	Entity to whom approval granted
1.	Environmental clearance	No. 3/60/79 – HCT/Div.	June 26 1980	N.A	GOI, Department of Science and Technology	Company
2.	Approval for the diversion of forest land	No. 8-369/85 – Fry (Conn)	July 8 1986	N.A	GOI, Department of Environment, Forests and Wildlife	Company

S No.	Description	Ref./License No.	Issue date	Expiry date	Authority granting approval	Entity to whom approval granted
3.	CCEA Approval for installed capacity of 1500 MW at an estimated cost of Rs. 16780.2 million	No. 22/15//98-HYDEL	March 1989	NA	Department of Power, Ministry of Energy	Company
4.	Approval of GOI for execution of NJHPP (6 x 250 MW) at an estimated cost of Rs. 16780.2 million at September, 1988 price level	No. 22/15/77 – HYDEL	April 5 1989	N.A	GOI, Ministry of Energy, Department of Power	Company
5.	Approval by PIB	No. 8/1/93 – D (B&N)	May 5 1993	N.A.	Ministry of Power, GoI	Company
6.	Approval for the revised costs estimates	No. 8/1/93 – D (B&N)	June 24 1993	N.A	GOI, MoP	Company
7.	Approval for revised costs estimate and the commissioning of the project by March 2002	2/NJPC/1/97-PAC/14200	November 13 1997	N.A	GOI, CEA	Company
8	Approval of second revised costs estimate	No.12/1/98 – Hydel. II (Vol. II)	May 10 1999	N.A	GOI, MoP	Company
9	Approval of RCE – III of NJHEP of Rs. 81,871.3 million by CEA excluding IDC	13/38/2001-H-II	August 14 2007	NA.	MoP	Company
10.	Consent to operate	EPPCB / SJVN (NJPC) HEP- Shimla / 2006-22381-82	November 25, 2006	March 31, 2007*	H.P. State Environment Protection and Pollution Control Board	Company

***** *The consent to operate was renewed by the letter of H.P. State Environment Protection and Pollution Control Board dated April 3, 2007 bearing no. 0030082 until March 31, 2009. However the Company has deposited the fee for further extension of the consent the acknowledgement of which is yet to be received.*

II. PROJECT UNDER CONSTRUCTION

Rampur Hydro-electric Project

S No.	Description	Ref./License No.	Issue date	Expiry date	Authority granting approval	Entity to whom approval granted
1.	Techno-Economic Clearance	2/ HP/ 27/05- PAC/ 1161-88	December 16th 2005	N.A.	GOI, CEA	Company
2.	PIB Clearance	F.No. 22/10/2001- DO (SJVN)	July 25 2006	N.A.	MoP, PIB	Company
3.	Clearance from Cabinet Committee on Economic Affairs	13/1/2006- H- II	January 25 2007	N.A.	MoP	Company
4.	Approval for diversion of forest land by the MoEF	F. No. 8-114/2005-FC	April 7 2006	N.A.	MoEF (FC Division)	Company
5.	Environmental Clearance from MoEF	J-12011/ 94/2005- IA.I	March 31 2006	N.A	MoEF	Company
6.	Clearance for possession and use of explosives.	E/HQ/HP/22/98 (E44999)	June 30, 2008	March 31, 2012	GOI, Ministry of Commerce and Industry, Petroleum and Explosives Safety Organisation	M/s Gammon India Limited

S No.	Description	Ref./License No.	Issue date	Expiry date	Authority granting approval	Entity to whom approval granted
7.	Clearance for possession and use of explosives.	E/HQ/HP/22/82 (E37881)	March 17, 2008	March 31, 2012	GOI, Ministry of Commerce and Industry, Petroleum and Explosives Safety Organisation	M/s Apple Valley Developers
8.	Certificate of registration u/s 7 CLRA.	L.O/K2//CLA/PE/56/07013-4	May 30 2007		GoHP, Labour Department	Company
9.	Certificate of registration u/s 7(3) of the Building and other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996.	LO/RMP/BLD and OCW Act 96/2009-2	November 6, 2009		GoHP, Office of the Registering Officer	Company
10.	Certificate of registration u/s 7 CLRA in favour of Gammon Patel Joint Venture.	46(R-09)/2009/ACH(HP)	November, 30, 2009		GOI, Ministry of Labour and Employment, Office of the Registering Officer and Assistant Labour Commissioner	Company
11.	Certificate of registration u/s 7(2) CLRA	L.O.(P) RMP/CLA/PE/5/94-2005-22	February 2, 2005		GoHP, Labour Department	Company
12.	Application for renewal of issue of licence u/s 7 CLRA	L.O.42/CLA/424/07	April 16 2009		Office of the Labour Officer/Licensing Officer	M/s Patel Engineering Limited
13.	Renewal of clearance for possession of explosives	E/HQ/HP/22/58(E27587)	May 5 2009	March 31 2011	GOI, Ministry of Commerce and Industry, Petroleum and Explosives Safety Organisation	Company
14.	Consent to establish under the Water (Prevention and Control of Pollution) Act, 1974 and Air (Prevention and Control of Pollution) Act, 1981	EPPCB/Rampur HEP-(SJVNL)- Shimla/2006-23581/-87	December 13, 2006	December 12, 2007*	HP State Environment Protection and Pollution Control Board	Company
15.	Approval for diversion of additional forest land by the MoEF	F. N0. 8-114/2005 – FC	May 28 2009		MoEF (FC Division)	Company

** The application dated June 19, 2009 bearing no. SJVNL:RHEP:DGM (Envt.)/ DB-6/2009-429-30 for the renewal of the consent to establish for FY 2010 has been made to the HP State Environment Protection and Pollution Control Board.*

III. APPROVALS FOR PROJECTS AWAITING CLEARANCES

Dhaulasidh Hydro Electric Project

S No.	Description	Ref./License No.	Issue date	Expiry date	Authority granting approval	Entity to whom approval granted
1.	Pre-Environmental clearance – prior permission for pre-construction activities from EIA authority, Himachal Pradesh, MoEF.	HPSEIAA/ F (35) SJVN Dhaulasidh HEP/ 2008- 1460-467	Oct. 03, 2009	NA	MoEF, State Level Environment Impact Assessment Authority	Company

IV. APPROVALS FOR PROJECTS UNDER SURVEY AND INVESTIGATION

Luhri Hydro Electric Project

S No.	Description	Ref./License No.	Issue date	Expiry date	Authority granting approval	Entity to whom approval granted
1.	Geological Survey of India ("**GSI**") Clearance	2677/01/LHIM/DPR/GSI/ND	December 17, 2009	N.A	Director, GSI	Company*
2.	NoC from Department of Irrigation and Public Health**	IPH-SE-WS-SNR-NOC/2008-33347-51	November 19, 2008	N.A	Suprintending Engineer, Irrigation & PH Circle, Sundernagar, Himachal Pradesh	Company
3.	NoC from Wildlife Department***	WL (Misc.)-60/HEPs/Vol.III/4907	December 10, 2008	N.A.	Principal Chief Conservator of Forests, Wildlife cum Chief Wildlife Warden, Himachal Pradesh, Shimla.	Company
4.	NoC from the Directorate of Fisheries	FSH-F (2)-39/2008-ARC-X	December 10, 2009	N.A.	Director cum Warden of Fisheries	Company
5.	Registration under sub section (2) of Section 7 of CLRA	L.O(RMP)CLA/PE/REC/2009-52	December 21, 2009	N.A.	Registering/ licensing Officer cum Labour officer, Department of Labour, GoHP.	Company****
6.	Registration under sub section (3) of Section 7 of the Building and Other Construction Work (Registration of Employment and Conditions of Service) Act, 1966 and the Rules made thereunder ("**Building Act and Rules**").	O(SML)Bld/Const/3/09	November 7, 2009	N.A.	Registering Officer under the Building Act and Rules	Company*****

* the approval was granted subject to certain conditions and addressed to the Director (PAC), CEA.
** the approval is subject to certain conditions.
*** the NoC was granted as the area proposed for setting up the project did not fall within the boundaries of national parks or wildlife sanctuaries.
**** the registration is granted in respect of infrastructure works, construction of dam and tunnelling etc. for a maximum number of 400 employees to be employed on any day by the employer.
***** the registration is granted for a maximum number of 400 employees to be employed on any day by the employer.

Naitwar Mori Hydro Electric Project

S No.	Description	Ref./License No.	Issue date	Expiry date	Authority granting approval	Entity to whom approval granted
1.	Clearance for pre-construction activities by MoEF	J-12011/38/2007-IA.1	July 12 2007	N.A	MoEF	Company
2.	Approval of Detailed Project Report	421/I(2)/2010-04(8)/76/2005	March 02, 2010	N.A.	GoU	Company

Jhakol Sankri Hydro Electric Project

S No.	Description	Ref./License No.	Issue date	Expiry date	Authority granting approval	Entity to whom approval granted
1.	Clearance for pre-construction activities by MoEF	J-12011/83/2007- IA.1	July 15, 2009	N.A	MoEF (FC Division)	Company

Devsari HEP

S No.	Description	Ref./License No.	Issue date	Expiry date	Authority granting approval	Entity to whom approval granted
1.	Stage 1 Clearance – for Survey and Investigation	J-12011/1/2006- IA.1	May 5 2006	N.A	MoEF	Company
2.	Clearance for pre-construction activities	J-12011/92/2007- IA.1	April 25 2008	N.A	MoEF	Company

Arun III HEP

S No.	Description	Ref./License No.	Issue date	Expiry date	Authority granting approval	Entity to whom approval granted
1.	Determination of project as commercially viable	11/10/2010/ HP&I(1)/74	February 23, 2010	N.A	GOI, CEA, Hydro Planning & Investigation Division	Company

IV. APPROVALS APPLIED FOR AND PENDING

Rampur Hydro Electric Project

No licenses or approvals required for the current stage of the Rampur Hydro Electric Project remain outstanding. Once the construction stage of the project has been completed, further licenses or approvals may be required.

Naitwar Mori Hydro Electric Project

Sr. No.	Approval	Approving/ Licensing Authority	Description
1.	Environmental Clearance	Uttarakhand Environment Protection and Pollution Control Board (the "**UPCB**")	By way of letter dated February 11, 2009 ("**Letter**"), the Company submitted the EIA/ EMP report and other documents to UPCB .In the Letter, the Company requested UPCB to conduct a public hearing for grant of environment clearance.

Sr. No.	Approval	Approving/ Licensing Authority	Description
2.	CAT Plan	Office Chief Wildlife Warden (the "**CWLW**")	4. CAT Plan of the catchment area was submitted to Director, Rajaji National Park, Dehradun by Deputy Director , Govind Wild Life Sanctuary, National Park Purola, Uttarkashi on November 20, 2009; 5. The CAT Plan was further submitted to Chief Forest Conservator (Wild Life)/ CWLW by Director, Rajaji National Park, Dehradun on December 26, 2009 for necessary action; and. 6. The CAT Plan was further submitted by CWLW on December 31, 2009 to Chief Forest Conservator, Uttarakhand for his approval which is presently pending.
3.	Land Acquisition		
	(ii) Diversion of Forest Land		4. Forest conservator (Yamuna circle), Uttarakhand, submitted the case files pertaining to grant of lease of forest land admeasuring 32.002 Hectares to the Company for 30 years, to Nodal Officer-cum-Chief Conservator of Forests on 16.09.09 for taking necessary action. 5. Further by way of letter dated December 30, 2009, the Company submitted five copies of the fact sheet related to aforesaid lease to Nodal Officer-cum-Chief Conservator of Forests. 6. Application dated July 21, 2009 made to the Divisional Forest Officer, Tons Forest Department, Purola, Uttarkashi, Uttarakhand, for diversion of forest land admeasuring 7.88 Hectares and situated in Banol, Nasna and Bhasla Blocks of River Tons, for mining purposes.
4.	Approval for Magazine License under Explosive Rules 1983	Chief Controller of Explosive, Petroleum and Explosive Safety Organisation ("**Chief Controller**").	Application dated February 1, 2010 bearing reference no. SJVN/GM/D.dun/10-719 has been made by the Company to the Chief Controller for grant of explosive license for installation of permanent explosive magazine at Jakhyani.

Jhakol Sankri Hydro Electric Project

Sr. No.	Approval	Approving/ Licensing Authority	Description
1.	CEA clearance of DPR	CEA	The DPR is under preparation.
2.	Explosive license	Chief Controller of Explosive, Petroleum and Explosive Safety Organisation	Identification of land is under process. We are proposing to make the application to Controller of Explosives/Licenses once the land is identified.
3.	Diversion of forest land	Divisional Forest Officer ("**DFO**")	Identification of land required for the Project is under process. We are proposing to make the application to concerned DFO after the land is identified.
4.	Pre Environmental Clearance	MoEF	Application dated October 16, 2007 bearing reference no. SJVN/ BD&MS/ Uttarakhand/ JSHEP/2007/ has been made by the Company to the Additional Director, MoEF for grant of pre environment clearance which is presently pending.

Sr. No.	Approval	Approving/ Licensing Authority	Description
5.	Wildlife clearance	Department of Forests, GoU	Application dated November 10, 2008, bearing reference no. SJVN/BD&L/DDUN/JSHEP (WL) 08- 200-05 has been made by the Company to the Chief Conservator of Forests and Chief Wildlife Warden, GoU for grant of wildlife clearance which is presently pending.
6.	Consent to Establish and Consent to Operate under Water (Prevention and Control of Pollution) Act 1974 and the Air (Prevention and Control of Pollution) Act 1981 and Hazardous Wastes Management Rules	MoEF	We are proposing to make the application after the grant of environment clearance.

Devsari Hydro Electric Project

Sr. No.	Approval	Approving/ Licensing Authority	Description
1.	CEA clearance of DPR	CEA	DPR was submitted to CEA for clearance by way of letter dated January 14, 2009 bearing reference no. CC/CP/UKD/2008-2706, and the same is pending clearance.
2.	Environment and Pollution Clearance	Uttarakhand Environment Protection and Pollution Control Board, Dehradun ("**UPCB**")	By way of letter dated August 31, 2009, bearing reference no. SJVN/DHEP/DGM/09-1725 ("**Letter**"), the Company submitted the draft EIA/ EMP reports to UPCB. In the Letter, the Company requested UPCB to conduct a public hearing in order to enable the Company to submit the final EIA/ EMP report to MoEF for grant of environment clearance.
3.	Diversion of forest land	Divisional Forest Officer, Badrinath Forest Division, Gopeshwar ("**DFO**")	Application dated August 31, 2009 bearing reference no. DGM/DHIP-1802A, was made to DFO, Badrinath Forest Division, Gopeshwar, for diversion of forest land admeasuring 211.58 Hectares.
4.	Mining clearance from State Mining Department	State Mining Department, GoHP	The quarries have been identified. The samples from proposed quarries have been delivered to Central Soil and Material Research Station, Ministry of Water Resources, GoI ("**CSMRS**") on June 12, 2009. The final report from CSMRS is awaited. The application for mining clearances shall be processed after receipt of final report.
5.	Consent to Establish and Consent to Operate under Water (Prevention and Control of Pollution) Act 1974 and the Air (Prevention and Control of Pollution) Act 1981 and Hazardous Wastes Management Rules	MoEF	We are proposing to file the applications for grant of consent to establish and consent to operate.

Luhri Hydro Electric Project

Sr. No.	Approval	Approving/ Licensing Authority	Description
1.	Submission of DPR for TEC/ concurrence of CEA.	CEA	DPR has been submitted to the CEA on November 10 2008, for TEC and is under process.

Sr. No.	Approval	Approving/ Licensing Authority	Description
2.	(ii) Diversion of Forest Land	Divisional Forest officer ("**DFO**")	1. Application dated January 30, 2008 bearing no. LHEP/R&R/LAD/L-9/08-6676-84 has been made to the DFO, Shimla, District Shimla for diversion of 33.4 Hectares of land; 2. Application dated January 29, 2008 bearing no. LHEP/R&R/LAD/L-9/08-6638-46 has been made to the DFO, Anni, At Luhri, District Kullu, Himachal Pradesh for diversion of 42.36 Hectares of land; 3. Application dated January 29, 2008 bearing no. LHEP/R&R/LAD/L-9/08-6648-56 has been made to the DFO, Rampur, District Shimla, Himachal Pradesh for diversion of 33.95 Hectares of land; 4. Application dated January 30, 2008 bearing no. LHEP/R&R/LAD/L-9/08-6658-66 has been made to the DFO, Karsog, District Mandi, Himachal Pradesh for diversion of 65.64 Hectares of land. 5. Application dated January 30, 2008 bearing no. LHEP/R&R/LAD/L-9/08-6667-75 has been made to the DFO, Kotgarh, District Shimla, Himachal Pradesh for diversion of 7.86 Hectares of land.

Dhaulasidh Hydro Electric Project

Sr. No.	Approval	Approving/ Licensing Authority	Description
1.	Submission of FSR.	Department of MPP and Power, GoHP	FSR was submitted to GoHP on August 31, 2009.
2.	Diversion of Forest Land	Divisional Forest Officer, Palampur, District Kangra (H.P.) ("**Divisional Forest Officer**")	Application dated January 22, 2010 bearing no. SJ/DSHEP/SM/Const./2010/21-23, has been made to the Divisional Forest Officer for deputation of their representatives to assist the Company in counting the trees and the completion of other formalities for diversion of forest land.
3.	Registration under the CLRA	Labour Officer, Bilaspur, District Bilaspur, Himachal Pradesh	Application dated January 1, 2010 bearing no. DSHEP/P&A/2010-540/1 made to Labour Officer for registration under CLRA.

V. Miscellaneous approvals for our business

We require various approvals for us to carry on our business in India. The approvals that we require include the following:

	Description	Issuing Authority	Issued in favour of	Ref./License No.	Issue date	Expiry Date
1.	Registration under the CST / GST Act	Assessing Authority, Rampur Distt Shimla, Himachal Pradesh	GM, SJVNL, Jhakri	SIM CST 3543 & SIM III / 5252	January 16, 1992	NA
2.	Certificate of Registration (General/VAT Registration) as a Dealer / Person under Section 14 (1)&(2) of HP VAT Act 2005	Assessing Authority, Rampur Distt Shimla, Himachal Pradesh	M/s Rampur Hydro Electric Project	SIM III 10592	July 11, 2006	NA

	Description	Issuing Authority	Issued in favour of	Ref./License No.	Issue date	Expiry Date
3.	Central Sales Tax Registration – Certificate of Registration as Dealer under Section 7 (1) and 7 (2) under the CST Act 1956	Assessing Authority, Rampur Distt Shimla, Himachal Pradesh	M/s Rampur Hydro Electric Project	SIM CST 7564	July 11, 2006	NA
4.	Allotment of Service tax Code Number	Deputy Commissioner of Central Excise, Shimla	SJVNL	AAACN0861HST001	July 29, 2004	NA
5.	Central Sales Tax Registration – Certificate of Registration as Dealer under Section 7 (1) and 7 (2) under the CST Act 1956	Assessing Authority, Rampur Distt Shimla, Himachal Pradesh	M/s SJVNL (Luhri Hydro Electric Project)	SIM CST 7400	March 13, 2006	NA
6.	Certificate of Registration (General/VAT Registration) as a Dealer / Person under Section 14 (1)&(2) of HP VAT Act 2005	Assessing Authority, Rampur Distt Shimla, Himachal Pradesh	M/s SJVNL (Luhri Hydro Electric Project)	SIM III 10331	March 13, 2006	NA
7.	Permanent Account Number	Department of Income Tax, GoI	SJVNL	AAICS1307F	May 24, 1988	NA
8.	Tax Deduction Account No.	Department of Income Tax, GoI	SJVNL	PTLS13839A		NA
9.	Licence for the Occupational Health and Safety Management Systems Certification	Bureau of Indian Standards	M/s SJVNL (Rampur Hydro Electric Project)	9000132	March 31, 2009	March 30, 2012
10.	Licence for the Environmental Management Systems Certification	Bureau of Indian Standards	M/s SJVNL (Rampur Hydro Electric Project)	9000302	March 31, 2009	March 20, 2012

We have obtained the above approvals for our commissioned projects and our offices at various locations in India and the same are valid as of the date of filing of this Red Herring Prospectus.

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Offer

The MoP has through its letter no. 23/24/2009–H–II dated April 13, 2010 granted approval for the disinvestment of 415,000,000 Equity Shares (i.e. 10.03% of the paid up capital of the Company) through the Offer. The letter dated April 13, 2010 has been noted by our Board in its meeting held on April 13, 2010.

Further, our Board of Directors has, pursuant to resolutions passed at its meeting held on April 13, 2010, authorised our Company to take necessary action for filing of this Red Herring Prospectus with SEBI in line with the decision taken earlier by the Board of Directors its meetings. Further, the Board has approved this Red Herring Prospectus through its resolution dated April 13, 2010.

We have obtained all necessary governmental, regulatory consents and approvals and have received all necessary contractual consents required for the Offer. The FIPB through its letter bearing no. 6\23\2010-FJU dated April 13, 2010 has clarified that no FIPB approval is required for the transfer of the Equity Shares to non resident investors. Further, the RBI vide its letter dated April 15, 2010 and bearing no. FE.CO.FID.No.- /10.21.185/2009-10 has confirmed that it has no objection to the transfer of 415,000,000 Equity Shares by the President of India, acting through the Ministry of Power, Government of India For further details regarding the requirement for the said approval and other ancillary matters in this regard, see sections titled "**Regulations and Policies in India**" and "**Offer Procedure**" on pages 87 and 191, respectively.

Approvals from Lenders

The BNP Paribas Bank has, through letter dated February 17, 2010 granted its consent for the change in the shareholding of our Company in respect of the Offer.

Prohibition by SEBI, RBI or governmental authorities

Our Company, our Directors, our Promoter, and the companies with which our Directors are associated with as directors, have not been prohibited from accessing or operating in capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI or any other authorities. None of our Promoters, Directors was or also is a promoter, director or person in control of any other company which is debarred from accessing the capital market under any order or directions made by the SEBI.

Our Directors are not in any manner associated with the securities market and there has been no action taken by the SEBI against the Directors or any entity our Directors are involved in as promoters or directors.

Neither our Company, our Promoters, nor our Directors have been declared as a wilful defaulter by the RBI or any other governmental authority and there are no violations of securities laws committed by any of them in the past and no such proceedings are currently pending against any of them.

Eligibility for the Offer

We are eligible for the Offer as per Regulation 26 (1) of the SEBI ICDR Regulations as:

- We have net tangible assets of at least Rs. 30 million in each of the preceding three full years (of 12 months each), of which not more than 50% is held in monetary assets;
- We have a pre-Offer net worth of not less than Rs. 10 million in each of the three preceding full years;
- We have a track record of distributable profits as per Section 205 of Companies Act for at least three out of immediately preceding five years;

- We have changed our name within the last one year, however, the change in the name of our Company does not indicate any change in the business activity of our Company.

- The Offer size of up to Rs. [●] million along with all previous issues of equity shares made in the same financial year aggregates to Rs. [●] million. The said aggregate, i.e., Rs. [●] million, does not exceed five times the pre-Offer net worth as per the last audited accounts for Fiscal 2009 which is Rs. [●] million as per the Restated Financial Statements.

Our Company's net profit, dividend, net worth, net tangible assets and monetary assets for the last five years from Fiscal 2005 through Fiscal 2009 based on our Restated Financial Statements, are set forth below:

As per our Restated Financial Statements

(Rs. in million)

Particulars	FY 2009	FY 2008	FY 2007	FY 2006	FY 2005
Distributable Profits (1)	23,421.2	18,682.9	14,243.1	9,561.3	5,336.6
Dividends Paid	3,200.0	2,440.0	2,350.0	1,594.3	1,431.6
Net Worth (2)	60,765.0	56,916.4	52,601.6	48,831.4	44,795.1
Net Tangible assets (3)	103,112.9	94,444.6	90,465.9	89,178.5	86,215.4
Monetary assets (4)	12,714.4	6,936.0	6,210.4	1,333.5	3,427.7
Monetary assets as a percentage of the net tangible assets	12.3%	7.3%	6.9%	1.5%	4.0%

(1) Distributable profits' have been defined in terms of Section 205 of the Companies Act.
(2) 'Net worth' has been defined as the aggregate of equity share capital and reserves, excluding preference share redemption reserve and miscellaneous expenditures, if any.
(3) 'Net tangible assets' means the sum of all net assets of the Company excluding intangible assets as defined in Accounting Standard 26 issued by Institute of Chartered Accountants of India.
(4) Monetary assets comprise of cash and bank balances and public deposit accounts with the Government.

For further information, see section titled "***Financial Information***" on page F-1.

Further, in accordance with Regulation 26 (4) of the SEBI ICDR Regulations, we shall ensure that the number of Allottees, i.e. persons to whom the Equity Shares will be allotted under the Offer shall be not less than 1,000; otherwise, the entire application money will be refunded forthwith. If such money is not repaid within eight days after the Selling Shareholder becomes liable to repay it (i.e., from the date of refusal or within 15 days from the date of Bid/Offer Closing Date, whichever is earlier), then the Selling Shareholder shall, on and from expiry of eight days, be liable to repay the money, with interest at the rate of 15% *per annum* on application money, as prescribed under Section 73 of the Companies Act.

Disclaimer

AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE OFFER IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGERS, JM FINANCIAL CONSULTANTS PRIVATE LIMITED, IDBI CAPITAL MARKET SERVICES LIMITED, IDFC CAPITAL LIMITED, SBI CAPITAL MARKETS LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (ISSUE OF CAPITAL AND DISCLOSURE) REGULATIONS, 2009 AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED OFFER.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE OUR COMPANY AND THE SELLING SHAREHOLDER ARE PRIMARILY RESPONSIBLE FOR THE CORRECTNESS,

ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGERS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT OUR COMPANY AND THE SELLING SHAREHOLDER DISCHARGE THEIR RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGERS, JM FINANCIAL CONSULTANTS PRIVATE LIMITED, IDBI CAPITAL MARKET SERVICES LIMITED, IDFC CAPITAL LIMITED, SBI CAPITAL MARKETS LIMITED HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED FEBRUARY 26, 2010 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992 WHICH READS AS FOLLOWS:

"

(1) WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS, ETC. AND OTHER MATERIAL IN CONNECTION WITH THE DRAFT RED HERRING PROSPECTUS) PERTAINING TO THE SAID OFFER;

(2) ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, AND INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE OFFER, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS AND OTHER PAPERS FURNISHED BY THE COMPANY, WE CONFIRM THAT:

(a) THE DRAFT RED HERRING PROSPECTUS FILED WITH THE SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE OFFER;

(b) ALL THE LEGAL REQUIREMENTS RELATING TO THE OFFER AS ALSO THE REGULATIONS GUIDELINES, INSTRUCTIONS, ETC. FRAMED/ISSUED BY THE SEBI, THE CENTRAL GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND

(c) THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED OFFER AND SUCH DISCLOSURES ARE IN ACCORDANCE WITH THE REQUIREMENTS OF THE COMPANIES ACT, 1956, THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 AND OTHER APPLICABLE LEGAL REQUIREMENTS.

(3) WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH THE SEBI AND THAT TILL DATE SUCH REGISTRATION IS VALID*.

(4) WE HAVE SATISFIED OURSELVES ABOUT THE CAPABILITY OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.-NOTED FOR COMPLIANCE

(5) WE CERTIFY THAT WRITTEN CONSENT FROM PROMOTERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SPECIFIED SECURITIES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SPECIFIED SECURITIES PROPOSED TO FORM PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN SHALL NOT BE DISPOSED / SOLD / TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS WITH THE SEBITILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS/DRAFT PROSPECTUS.

(6) WE CERTIFY THAT REGULATION 33 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS)

REGULATIONS, 2009, WHICH RELATES TO SPECIFIED SECURITIES INELIGIBLE FOR COMPUTATION OF PROMOTERS CONTRIBUTION, HAS BEEN DULY COMPLIED WITH AND APPROPRIATE DISCLOSURES AS TO COMPLIANCE WITH THE SAID REGULATION HAVE BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS.

(7) WE UNDERTAKE THAT SUB-REGULATION (4) OF REGULATION 32 AND CLAUSE (C) AND (D) OF SUB-REGULATION (2) OF REGULATION 8 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 SHALL BE COMPLIED WITH. WE CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE RECEIVED AT LEAST ONE DAY BEFORE THE OPENING OF THE OFFER. WE UNDERTAKE THAT AUDITORS' CERTIFICATE TO THIS EFFECT SHALL BE DULY SUBMITTED TO THE BOARD. WE FURTHER CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE KEPT IN AN ESCROW ACCOUNT WITH A SCHEDULED COMMERCIAL BANK AND SHALL BE RELEASED TO THE COMPANY ALONG WITH THE PROCEEDS OF THE PUBLIC OFFER.-NOT APPLICABLE

(8) WE CERTIFY THAT THE PROPOSED ACTIVITIES OF THE COMPANY FOR WHICH THE FUNDS ARE BEING RAISED IN THE PRESENT OFFER FALL WITHIN THE 'MAIN OBJECTS' LISTED IN THE OBJECT CLAUSE OF THE MEMORANDUM OF ASSOCIATION OR OTHER CHARTER OF THE COMPANY AND THAT THE ACTIVITIES WHICH HAVE BEEN CARRIED OUT UNTIL NOW ARE VALID IN TERMS OF THE OBJECT CLAUSE OF ITS MEMORANDUM OF ASSOCIATION.-NOT APPLICABLE

(9) WE CONFIRM THAT NECESSARY ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT THE MONEYS RECEIVED PURSUANT TO THE OFFER ARE KEPT IN A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF SUB-SECTION (3) OF SECTION 73 OF THE COMPANIES ACT, 1956 AND THAT SUCH MONEYS SHALL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FROM ALL THE STOCK EXCHANGES MENTIONED IN THE RED HERRING PROSPECTUS. WE FURTHER CONFIRM THAT THE AGREEMENT ENTERED INTO BETWEEN THE BANKERS TO THE OFFER AND THE COMPANY SPECIFICALLY CONTAINS THIS CONDITION.-NOTED FOR COMPLIANCE

(10) WE CERTIFY THAT A DISCLOSURE HAS BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS THAT THE INVESTORS SHALL BE GIVEN AN OPTION TO GET THE SHARES IN DEMAT OR PHYSICAL MODE. NOT APPLICABLE

(11) WE CERTIFY THAT ALL THE APPLICABLE DISCLOSURES MANDATED IN THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 HAVE BEEN MADE IN ADDITION TO DISCLOSURES WHICH, IN OUR VIEW, ARE FAIR AND ADEQUATE TO ENABLE THE INVESTOR TO MAKE A WELL INFORMED DECISION.

(12) WE CERTIFY THAT THE FOLLOWING DISCLOSURES HAVE BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS:
   (a) AN UNDERTAKING FROM THE COMPANY THAT AT ANY GIVEN TIME, THERE SHALL BE ONLY ONE DENOMINATION FOR THE EQUITY SHARES OF THE COMPANY AND
   (b) AN UNDERTAKING FROM THE COMPANY THAT IT SHALL COMPLY WITH SUCH DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY THE SEBI FROM TIME TO TIME.

(13) WE UNDERTAKE TO COMPLY WITH THE REGULATIONS PERTAINING TO ADVERTISEMENT IN TERMS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 WHILE MAKING THE OFFER.

(14) WE ENCLOSE A NOTE EXPLAINING HOW THE PROCESS OF DUE DILIGENCE HAS BEEN EXERCISED BY U.S. IN VIEW OF THE NATURE OF CURRENT BUSINESS BACKGROUND OR THE COMPANY, SITUATION AT WHICH THE PROPOSED BUSINESS STANDS, THE RISK FACTORS, PROMOTERS EXPERIENCE ,ETC.

(15) WE ENCLOSE A CHECKLIST CONFIRMING REGULATION-WISE COMPLIANCE WITH THE APPLICABLE PROVISIONS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, CONTAINING DETAILS SUCH AS THE REGULATION NUMBER, ITS TEXT, THE STATUS OF COMPLIANCE, PAGE NUMBER OF THE DRAFT RED HERRING PROSPECTUS OF OFFER WHERE THE REGULATION HAS BEEN COMPLIED WITH AND OUR COMMENTS, IF ANY."

***PLEASE NOTE, HOWEVER,**
THAT THE SEBI REGISTRATION OF THE BANKERS TO THE OFFER, I.E. STATE BANK OF INDIA, HDFC BANK LIMITED AND THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED WERE VALID UP TO NOVEMBER 30, 2009, JANUARY 31, 2010 AND NOVEMBER 30, 2009 RESPECTIVELY. THE APPLICATIONS FOR RENEWAL OF THE CERTIFICATE OF REGISTRATION IN THE PRESCRIBED MANNER HAS BEEN MADE BY STATE BANK OF INDIA LIMITED, HDFC BANK LIMITED AND THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED ON AUGUST 28, 2009, OCTOBER 30, 2009 AND AUGUST 28, 2009 RESPECTIVELY, TO SEBI, THREE MONTHS BEFORE THE EXPIRY OF THE PERIOD OF CERTIFICATE AS REQUIRED UNDER REGULATION 8(1) OF THE SEBI (BANKERS TO THE ISSUE) REGULATIONS, 1994. THE APPROVALS OF SEBI IN THIS REGARD IS PRESENTLY AWAITED BY STATE BANK OF INDIA, HDFC BANK LIMITED AND THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED. NO COMMUNICATION HAS BEEN RECEIVED FROM SEBI REJECTING THE SAID APPLICATIONS.

All legal requirements pertaining to the Offer have been complied with at the time of filing of the Red Herring Prospectus with the RoC in terms of Section 60B of the Companies Act. All legal requirements pertaining to the Offer will be complied with at the time of registration of the Prospectus with the RoC in terms of Section 56, Section 60 and Section 60B of the Companies Act.

The filing of the Red Herring Prospectus does not, however, absolve our Company or the Selling Shareholder from any liabilities under Section 63 and Section 68 of the Companies Act or from the requirement of obtaining such statutory and other clearances as may be required for the purpose of the proposed Offer. SEBI further reserves the right to take up at any point of time, with the BRLMs, any irregularities or lapses in the Red Herring Prospectus.

Disclaimer from our Company, the Selling Shareholder and the BRLMs

Our Company, the Selling Shareholder, our Directors and the BRLMs accept no responsibility for statements made otherwise than in this Red Herring Prospectus or in the advertisements or any other material issued by or at instance of the above mentioned entities and anyone placing reliance on any other source of information, including our website, www.sjvn.com would be doing so at his or her own risk.

The BRLMs accept no responsibility, save to the limited extent as provided in the Offer Agreement entered into among the BRLMs, the Selling Shareholder and our Company dated February 25, 2010 and the Underwriting Agreement to be entered into among the Underwriters, the Selling Shareholder and the Company.

All information shall be made available by us, the Selling Shareholder and BRLMs to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports or at bidding centres or elsewhere , etc.

Our Company, the Selling Shareholder, the BRLMs shall not be liable to the Bidders for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

The BRLMs and their respective associates and affiliates may engage in transactions with, and perform services for, our Company and our group companies, affiliates or associates in the ordinary course of business and have engaged, or may in future engage, in commercial banking and investment banking transactions with our Company and our group companies, affiliates or associates for which they have received, and may in future receive, compensation.

Investors that bid in the Offer will be required to confirm and will be deemed to have represented to our Company, the Selling Shareholder, the Underwriters and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of our Company and will not offer, sell, pledge or transfer the Equity Shares of our Company to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of our Company. Our Company, the Selling Shareholder, the Underwriters and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire Equity Shares of our Company.

Disclaimer in Respect of Jurisdiction

The Offer is being made in India to persons resident in India (including Indian nationals resident in India who are not minors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in shares, Indian Mutual Funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), or trusts under applicable trust law and who are authorized under their constitution to hold and invest in shares, permitted insurance companies and pension funds) and to permitted non residents including Eligible NRIs, Foreign Institutional Investors (FIIs) and other eligible foreign investors (viz. Foreign Venture Capital Investors (FVCIs), multilateral and bilateral development financial institutions). This Red Herring Prospectus does not, however, constitute an invitation to purchase shares offered hereby in any jurisdiction other than India to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Red Herring Prospectus comes is required to inform himself or herself about, and to observe, any such restrictions. Any dispute arising out of the Offer will be subject to the jurisdiction of appropriate court(s) in New Delhi, India only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Red Herring Prospectus has been filed with SEBI for observations. Accordingly, our Company‘s Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and this Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in our Company‘s affairs from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

The Equity Shares have not been, and will not be, registered under the Securities Act. The Equity Shares may not be offered, sold or delivered in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Equity Shares are being offered by the Selling Shareholder: (i) in the United States, only to “qualified institutional buyers” as defined in, and pursuant to, Rule 144A under the Securities Act and (ii) outside the United States, in offshore transactions in reliance on Regulation S under the Securities Act. Purchasers are hereby notified that the Selling Shareholder may be relying on the exemptions from the provisions of Section 5 of the Securities Act provided by Rule 144A.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Disclaimer Clause of the NSE

As required, a copy of this Offer Document has been submitted to National Stock Exchange of India Limited (hereinafter referred to as NSE). NSE has given vide its letter ref: NSE/LIST/132712-Y dated March 12, 2010 permission to the Issuer to use the Exchange's name in the Offer Document as one of the stock exchanges on which this Issuer's securities are proposed to be listed. The Exchange has scrutinized this draft offer document for its limited internal purpose of deciding on the matter of granting aforesaid permission to the Issuer. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the offer document has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; nor does it warrant that this Issuer's securities will be listed or continue to be listed on the Exchange; nor does it take any responsibility for the financial or other soundness of this Issuer, its promoters, its management or any scheme or project of this Issuer.

Every person who desires to apply for or otherwise acquire any securities of this Issuer may do so pursuant to independent enquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated or any other reason whatsoever.

Disclaimer Clause of the BSE

Bombay Stock Exchange Limited ("the Exchange") has given vide its letter dated March 11, 2010 permission to this Company to use the Exchange's name in the offer document as one of the stock exchanges on which this Company's securities are proposed to be listed. The Exchange has scrutinized this offer document for its limited internal purpose of deciding on the matter of granting aforesaid permission to the Company. The Exchange does not in any manner

i. warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; or
ii. warrant that this Company's securities will be listed or continue to be listed on the Exchange; or
iii. take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company.

and it should not for any reason be deemed or construed that this offer document has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent enquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated or any other reason whatsoever.

Filing

A copy of the Red Herring Prospectus has been filed with SEBI at the Corporation Finance Department, Securities and Exchange Board of India, SEBI Bhawan, C – 4A, "G" Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051, India.

A copy of this Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, has been delivered for registration to the RoC and a copy of the Prospectus required to be filed under Section 60 of the Companies Act will be delivered for registration to the to be filed with the RoC at the office of the Registrar of Companies, Punjab, Himachal Pradesh and Chandigarh at Corporate Bhavan, Plot No. 4B Sector 27 B, Madhya Marg, Chandigarh 160 019.

Listing

In connection with the Offer and in accordance with Regulation 7 (b)(ii) of the SEBI ICDR Regulations, our Company will apply to seek in principle approval from the NSE and BSE for listing of the Equity

Shares. NSE is the Designated Stock Exchange with which the basis of allocation will be finalised for the Offer.

If the permission to deal in and for an official quotation of the Equity Shares is not granted by any of the Stock Exchanges, the Selling Shareholder shall forthwith repay, without interest, all moneys received from the applicants in pursuance of this Red Herring Prospectus. If such money is not repaid within eight days after the Selling Shareholder becomes liable to repay it (i.e., from the date of refusal or within 15 days from the date of Bid/Offer Closing Date, whichever is earlier), then the Selling Shareholder shall, on and from expiry of eight days, be liable to repay the money, with interest at the rate of 15% *per annum* on application money, as prescribed under Section 73 of the Companies Act.

Our Company and the Selling Shareholder shall each ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at both the Stock Exchanges mentioned above are taken within seven working days of finalisation of the date of basis of allotment for the Offer.

IMPERSONATION

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:

"Any person who:

(a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or

(b) otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name,

shall be punishable with imprisonment for a term which may extend to five years."

Consents

Consents in writing of: (a) our Directors, our Company Secretary and Compliance Officer, the Auditors, the IPO Grading Agency, the Legal Advisors, the Bankers to the Company, the Bankers to the Offer, Refund Bankers; and (b) the Book Running Lead Managers, the Syndicate Members and the Registrar to the Offer to act in their respective capacities, have been obtained and filed along with a copy of this Red Herring Prospectus with the RoC as required under Sections 60 and 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of this Red Herring Prospectus for registration with the RoC.

In accordance with the Companies Act and the SEBI ICDR Regulations, M/s. Hingorani M & Co., Chartered Accountants has provided its written consent to the inclusion of its report on financial statements and report relating to the possible general and special tax benefits, as applicable, accruing to our Company and its Shareholders, included in this Red Herring Prospectus in the form and context in which they appear in this Red Herring Prospectus and such consent and report will not be withdrawn up to the time of delivery of the Red Herring Prospectus and the Prospectus for registration with the RoC.

Credit Analysis and Research Limited, a SEBI registered credit rating agency, has given its written consent to being named as an expert for purposes of grading of the Offer and to the inclusion of its grading of the Offer in the Red Herring Prospectus and such consent and report will not be withdrawn up to the time of delivery of the Red Herring Prospectus and the Prospectus to the Designated Stock Exchange.

Expert Opinion

Except for the report of CARE in respect of the IPO Grading of the Offer (a copy of which will be annexed to the Red Herring Prospectus), furnishing the rationale for its grading which will be provided to the Designated Stock Exchange and except for the reports of the Auditors of our Company on the Restated Financial Statements, and Statement of Tax Benefits, included in this Red Herring Prospectus, our Company has not obtained any expert opinions.

Offer Expenses

The expenses for the Offer include lead management fees, underwriting and selling commission, registrar's fees, advertisement and marketing expenses, printing and distribution expenses, IPO Grading expenses, legal fees, SEBI filing fees, bidding software expenses, depository charges and listing fees to the Stock Exchanges. The details of the estimated Offer expenses are set forth below.

Activity	Rs. in million	% of the Offer Expenses	% of total Offer Size
Lead management fees*	[●]	[●]	[●]
Underwriting and selling commission* (including commission to SCSBs for ASBA Applications *)	[●]	[●]	[●]
Registrar's fees*	[●]	[●]	[●]
Advertisement and marketing expenses*	[●]	[●]	[●]
Printing and distribution expenses*	[●]	[●]	[●]
IPO Grading expenses*	[●]	[●]	[●]
Advisors*	[●]	[●]	[●]
Bankers to the Offer*	[●]	[●]	[●]
Others (SEBI filing fees, bidding software expenses, depository charges, listing fees, etc.)*	[●]	[●]	[●]
Total	**[●]**	**[●]**	**[●]**

**Will be incorporated at the time of filing of the Prospectus.*

Lead managers', registrars', depositories' and legal fees and expenses, and publication charges shall be borne by the Selling Shareholder.

Fees Payable to the Book Running Lead Managers and Syndicate Members

The total fees payable to the Book Running Lead Managers and Syndicate Members (including underwriting commission, selling commission) will be as stated in the Engagement Letter with the BRLMs dated December 22 2009, a copy of which is available for inspection at the Registered Office and corporate office of our Company.

Fees Payable to the Registrar to the Offer

The fees payable to the Registrar to the Offer including fees for processing of application, data entry, printing of CAN/ revised CAN/ refund order, preparation of refund data on magnetic tape, printing of bulk mailing register, etc. will be as per the Offer Agreement dated February 25, 2010 signed with our Company and the Selling Shareholder, a copy of which is available for inspection at the Registered Office of our Company.

The Registrar to the Offer will be reimbursed for all out-of-pocket expenses including cost of stationery, postage, stamp duty and communication expenses. Adequate funds will be provided to the Registrar to the Offer to enable them to make refunds in any of the modes described in this Red Herring Prospectus and send refund orders or allotment advice by registered post/speed post/under certificate of posting.

Particulars regarding Public or Rights Issues during the Last Five Years

There have been no public or rights offer by our Company in the five years preceding the date of this Red Herring Prospectus.

Issues otherwise than for Cash

For details on issue of shares for consideration other than for cash, see section titled "***Capital Structure***" on page 99**.**

Commission and Brokerage paid on Previous Issues of our Equity Shares

Since this is the initial public issue of our Company, no sum has been paid or has been payable as commission or brokerage for subscribing to or procuring or agreeing to procure public subscription for any of our Equity Shares since our incorporation.

Companies under the Same Management

As on the date of this Red Herring Prospectus, there are no companies under the same management within the meaning of erstwhile Section 370 (1B) of the Companies Act.

Promise vs. Performance – Last Three Issues

There has not been any previous public offer of our Equity Shares.

Outstanding Preference Shares, Debentures or Bonds

As on the date of this Red Herring Prospectus, our Company does not have any outstanding redeemable preference shares, debentures or bonds.

Partly Paid-Up Shares

As on the date of this Red Herring Prospectus, there are no partly paid-up Equity Shares of our Company.

Stock Market Data of our Equity Shares

This being an initial public offer of the Equity Shares of our Company, the Equity Shares are not listed on any stock exchange and thus there is no stock market data available.

Mechanism for Redressal of Investor Grievances by our Company

The agreement between the Registrar to the Offer, the Selling Shareholder and us, provides for retention of records with the Registrar to the Offer for a period of at least one year from the last date of dispatch of letters of allotment, demat credit, refund orders to enable the investors to approach the Registrar to the Offer for redressal of their grievances.

All grievances relating to the Offer may be addressed to the Registrar to the Offer, giving full details such as name, address of the applicant, application number, number of shares applied for, amount paid on application, Depository Participant, and the bank branch or collection center where the application was submitted.

All grievances relating to the ASBA process may be addressed to the Registrar to the Offer with a copy to the relevant SCSB, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and the Designated Branch or the collection centre of the SCSB where the Bid-cum-Application Form was submitted by the ASBA Bidders.

Disposal of Investor Grievances by our Company

We estimate that the average time required by us, the Selling Shareholder or the Registrar to the Offer for the redressal of routine investor grievances shall be seven days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, our Company and the Selling Shareholder will seek to redress these complaints as expeditiously as possible.

Our Company will constitute a Shareholders/Investor Grievance Committee to deal with and monitor the redressal of complaints from shareholders, prior to the filing of the Red Herring Prospectus. For details see section titled "***Our Management***" on page 104.
We and the Selling Shareholder have appointed Mr. P.S.R. Murthy, Company Secretary as the Compliance Officer and he may be contacted in case of any pre-Offer or post-Offer related problems. He can be contacted at the following address:

SJVN Limited
Himfed Building
New Shimla -171 009

Himachal Pradesh
Tel: +91 177 267 0741
Fax: +91 177 267 0542
Email: psr.murthy@sjvn.nic.in

Mechanism for Redressal of Investor Grievances by Companies under the Same Management

We do not have any other company under the same management within the meaning of erstwhile Section 370 (1B) of the Companies Act.

Changes in Auditors

The Auditors of our Company are appointed/re-appointed by the Office of the Comptroller and Auditor General of India. The following are the details of the changes in auditors in the last three Fiscals:

S. No.	Name of Auditor	Date of Appointment
1.	R Bansal & Co (NR0095) 3065 1st Floor Sector 38 D Chandigarh	July 31, 2007
2.	R Bansal & Co (NR0095) 3065 1st Floor Sector 38 D Chandigarh	August 7, 2008
3	Hingorani M & Co., (006772N) 35, Netaji Subhash Marg Dariya Ganj, New Delhi- 110 002	August 13, 2009

Capitalisation of Reserves or Profits

We have not capitalised our reserves or profits at any time during last five years.

Revaluation of Assets

There has been no revaluation of assets of our Company since its incorporation.

Tax Implications

Investors that are allotted Equity Shares in the offer will be subject to capital gains tax on any resale of the Equity Shares at applicable rates, depending on the duration for which the investors have held the Equity Shares prior to such resale and whether the Equity Shares are sold on the stock exchanges. For details, see section titled **"Statement of Possible Tax Benefits Available to the Company and its Shareholders"** on page 40 of this Red Herring Prospectus.

SECTION VII – OFFER RELATED INFORMATION

BASIC TERMS OF THE OFFER

The Equity Shares being offered are subject to the provisions of the Companies Act, SEBI ICDR Regulations, FEMA, our Memorandum and Articles of Association, the terms of the Red Herring Prospectus, Prospectus, Bid cum Application Form, the Revision Form, the ASBA Bid cum Application Form, the ASBA Revision Form, the CAN and other terms and conditions as may be incorporated in the Allotment advices and other documents/certificates that may be executed in respect of the Offer. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the Offer of capital and listing and trading of securities issued from time to time by SEBI, the Government of India, the Stock Exchanges, the RBI, RoC and/or other relevant authorities, as in force on the date of the Offer and to the extent applicable.

Authority for the Offer

For details see section titled "***Other Regulatory and Statutory Disclosures***" on page 171.

Ranking of Equity Shares

The Offer Shares shall be subject to the provisions of the Companies Act, our Memorandum and Articles of Association and shall rank *pari passu* in all respects with all other Equity Shares of the Company, including in respect of the rights to receive dividend. The Allottees in receipt of Allotment of Equity Shares under the Offer will be entitled to voting rights, dividends or any other corporate benefits, if any, declared by us after the date of Allotment. For further details, please see section titled "***Main Provisions of the Article of Association***" on page 235 of the Red Herring Prospectus.

Cost for the Offer

The cost for the Offer shall be borne by the Selling Shareholder, as the proceeds of the Offer shall be received by the Selling Shareholder.

Mode of Payment of Dividend

The declaration and payment of dividend will be as per the provisions of the Companies Act and recommended by the Board of Directors and the Shareholders at their discretion and will depend on a number of factors, including but not limited to earnings, capital requirements and overall financial condition of our Company. We shall pay dividends in cash and as per the dividend policy of the Company subject to the provisions of the Companies Act. For more information on the dividend policy of the Company, please refer to section titled "***Main Provisions of the Articles of Association***" on page 235.

Face Value, Offer Price and Price Band

The face value of the Equity Shares is Rs. 10. The Floor Price per Equity Shares is Rs. **[●]** and the Cap Price per Equity Shares is Rs. [●]. The Offer Price will be determined by the Selling Shareholder and our Company in consultation with the BRLMs on the basis of assessment of market demand for the Equity Shares offered by way of Book Building Process. At any given point of time there shall be only one denomination of the Equity Shares of our Company, subject to applicable laws.

Compliance with SEBI ICDR Regulations

We shall comply with applicable disclosure and accounting norms specified by SEBI from time to time.

Rights of the Equity Shareholders

Subject to applicable laws, rules, regulations and guidelines and the Articles of Association, all the equity shareholders shall have the following rights:

- Right to receive dividend, if declared;

- Right to attend general meetings and exercise voting rights, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offer for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public limited company under the Companies Act, terms of the listing agreements with the Stock Exchanges(s) and the Memorandum and Articles of Association.

For a detailed description of the main provision of the Articles of Association of our Company relating to voting rights, dividend, forfeiture and lien and/or consolidation/splitting, etc., please refer to section titled "***Main Provisions of the Articles of Association***" beginning on page 235 of this Red Herring Prospectus.

Market Lot and Trading Lot

In terms of Section 68B of the Companies Act, the Equity Shares shall be Allotted only in dematerialized form. In terms of the SEBI ICDR Regulations, the trading in the Equity Shares shall only be in dematerialized form for all investors. Since trading of the Equity Shares will be in dematerialized mode, the tradable lot is one Equity Share. Allotment and allocation of Equity Shares through the Offer will be done only in electronic form in multiples of 1 Equity Share subject to a minimum allotment of [●] Equity Shares to the successful Bidders.

Joint Holders

Where two or more persons are registered as the holders of any Equity Shares, they shall be deemed to hold the same as joint tenants with the benefits of the survivorship.

Nomination Facility to Investor

In accordance with Section 109A of the Companies Act, the sole or First Bidder, along with other joint Bidders, may nominate any one person in whom, in the event of the death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares Allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale of equity share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Registered Office of our Company or to the Registrar and Transfer Agents of our Company.

In accordance with Section 109B of the Companies Act, any Person who becomes a nominee by virtue of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- to register himself or herself as the holder of the Equity Shares; or
- To make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Notwithstanding anything stated above, since the Allotment in the Offer will be made only in dematerialised mode, there is no need to make a separate nomination with us. Nominations registered with the respective depository participant of the applicant would prevail. If the investors require changing the nomination, they are requested to inform their respective depository participant.

Application by eligible NRIs, FIIs registered with SEBI and FVCI registered with SEBI

It is to be distinctly understood that there is no reservation for NRI's and FIIs registered with SEBI or FVCI registered with SEBI. As per RBI regulations, OCBs cannot participate in the Issue.

Bidding Period

Bidders may submit their bid only in the Bidding Period. The Bid/Offer Opening Date is April 29, 2010 and the Bid/Offer Closing Date is May 3, 2010.

Arrangements for disposal of odd lots

Since the market lot for our Equity Shares will be one, no arrangements for disposal of odd lots are required.

Restrictions, if any on Transfer and Transmission of Equity Shares

For a detailed description in respect of restrictions, if any, on the Allotment of shares and on their consolidation/ splitting, please refer to "***Main Provisions of the Articles of Association***" on page 235 of the Red Herring Prospectus.

Option to receive Equity Shares in Dematerialized Form

Investors should note that the Allotment of Offer Shares to all successful Bidders will only be in dematerialised form. Bidders will not have the option of getting the Allotment of Offer Shares in physical form.

Jurisdiction

Exclusive jurisdiction for the purpose of the Offer is with the competent courts/authorities in New Delhi, India.

OFFER STRUCTURE

The present Offer of 415,000,000 Equity Shares of Rs. 10 each, at a price of Rs. [●] per share for cash aggregating to Rs. [●] million is being made through the 100% Book Building Process. The Offer comprises a Net Offer of 411,650,000 Equity Shares to the public and a reservation of 3,350,000 Equity Shares for the Eligible Employees at the Offer Price. The Offer and Net Offer constitutes 10.03% and 9.95% respectively of the paid up Capital of our Company.

Pursuant to the letter from the MOP bearing no. 23/24/2009-H-II dated April 13, 2010 our Company has allotted 27,812,500 Equity Shares to the GoHP on April 13, 2010**,** at a price of Rs. 14.72 per share for an investment aggregating to Rs. 409.40 million. Consequently the issued and the paid up capital of the Company has increased to Rs. 41,366,265,000 comprising of 4,136,626,500 fully paid up Equity Shares. As also mentioned in the letter from the MOP bearing no. 23/24/2009-H-II dated April 13, 2010 the number of Equity Shares to be offered for sale in the Offer (i.e. 10.03% of the equity share capital of the Company) stand revised to 415,000,000 Equity Shares. For further details, see sections titled "***The Offer***" and "***Capital Structure***" on page 9 and 23, of this Red Herring Prospectus respectively.

	Eligible Employees Portion	**QIBs***	**Retail Individual Bidders**	**Non-Institutional Bidders**
Number of Equity Shares* *	3,350,000 Equity Shares	At least 246,990,000 Equity Shares available for Allotment or at least 60 % of the Net Offer	Not less than 123,495,000 Equity Shares available for allocation or Net Offer less allocation to QIB Bidders and Non-Institutional Bidders.	Not less than 41,165,000 Equity Shares available for allocation or Net Offer less allocation to QIB Bidders and Retail Individual Bidders.
Percentage of Offer size available for Allotment/allocation***	Up to 0.807 % of the Offer. The Employee Reservation Portion comprises of 0.0810% of the paid up capital of our Company.	At least 60% of the Net Offer shall be Allotted to QIBs. However, at least 5% of the QIB Portion shall be available for allocation proportionately to Mutual Funds only.	Not less than 30% of the Net Offer available for allocation or the Net Offer less allocation to QIB Bidders and Non-Institutional Bidders.	Not less than 10% of the Net Offer available for allocation or the Net Offer less allocation to QIB Bidders and Retail Individual Bidders.
Basis of Allotment/Allocation if respective category is oversubscribed	Proportionate. However, the value of allotment to an Eligible Employee shall not exceed Rs. 100,000.	Proportionate as follows: (a) 12,349,500 Equity Shares shall be allocated on a proportionate basis to Mutual Funds; and (b) 234,640,500 Equity Shares shall be allotted on a proportionate basis to all QIBs including Mutual Funds receiving allocation as per (a) above.	Proportionate	Proportionate
Bid Lot	[●] Equity Shares	[●] Equity Shares	[●] Equity Shares	[●] Equity Shares
Minimum Bid	One Bid Lot	Such number of Bid Lots that the Bid Amount exceeds Rs. 100,000	One Bid Lot	Such number of Bid Lots that the Bid Amount exceeds Rs. 100,000

	Eligible Employees Portion	QIBs*	Retail Individual Bidders	Non-Institutional Bidders
Maximum Bid	Such number of Bid Lots subject to the maximum bid by each Eligible Employee not exceeding Rs. 100,000 .	Such number of Bid Lots not exceeding the Net Offer, subject to applicable limits.	Such number of Bid Lots whereby the Bid Amount does not exceed Rs. 100,000.	Such number of Bid Lots not exceeding the Net Offer subject to applicable limits.
Allotment Lot	One Bid Lot and in multiples of one Equity Share thereafter	One Bid Lot and in multiples of one Equity Share thereafter	One Bid Lot and in multiples of one Equity Share thereafter	One Bid Lot and in multiples of one Equity Share thereafter
Trading Lot	One Equity Share	One Equity Share	One Equity Share	One Equity Share
Mode of Allotment	Compulsorily in dematerialized form.	Compulsorily in dematerialized form.	Compulsorily in dematerialized form.	Compulsorily in dematerialized form.

	Eligible Employees Portion	QIBs*	Retail Individual Bidders	Non-Institutional Bidders
Who can Apply	Eligible Employees	Public financial institutions as specified in Section 4A of the Companies Act, FIIs and their sub-accounts registered with SEBI, other than sub-accounts who are foreign corporates or foreign individuals, scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, FVCIs registered with SEBI, state industrial development corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds (subject to applicable law) with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million, the National Investment Fund set up by resolution F. No. 2/3/2005-DD-II dated November 23, 2005 of the GoI published in the Gazette of India and insurance funds set up and managed by army, navy or air force of the Union of India	Individuals (including HUFs, Eligible NRIs)	Eligible NRIs, Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, scientific institutions societies and trusts and sub-accounts of FIIs registered with SEBI which are foreign corporates or foreign individuals

	Eligible Employees Portion	QIBs*	Retail Individual Bidders	Non-Institutional Bidders
Terms of Payment	Margin Amount shall be payable at the time of submission of Bid cum Application Form to the Syndicate Member. #	QIB Margin Amount shall be payable at the time of submission of Bid cum Application Form to the BRLMs.	Margin Amount shall be payable at the time of submission of Bid cum Application Form to the Syndicate Member#	Margin Amount shall be payable at the time of submission of Bid cum Application Form to the Syndicate Member. #
Margin Amount	Full Bid Amount on bidding	At least 10% of Bid Amount	Full Bid Amount on bidding	Full Bid Amount on bidding

* *5% of the QIB Portion shall be available for allocation to Mutual Funds on a proportionate basis. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received from them at or above the Offer Price. However, if the aggregate demand from Mutual Funds is less than 5% of the QIB Portion, the balance Equity Shares available for Allotment in the Mutual Fund Portion will be allocated proportionately to the QIB Bidders.*

** *Pursuant to the provisions of regulation 41(2)(a) of the SEBI ICDR Regulations, the Net Offer consists of an offer for sale of less than 10% of the issued and paid up share capital of our Company and is being made through a 100% Book Building Process in compliance with the provisions of Rule 19(2)(b) of the SCRR, wherein at least 60% of the Net Offer shall be Allotted on a proportionate basis to QIBs. 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs, including Mutual Funds, subject to valid Bids being received at or above the Offer Price. If at least 60 % of the Net Offer cannot be Allotted to QIBs, then the entire application money will be refunded forthwith. Further, not less than 10% of the Net Offer shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Net Offer shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Offer Price.*

*** *Any unsubscribed portion/ unallocated portion in the Employee Reservation Portion shall be added to the Net Offer. In case of under-subscription in the Net Offer, spill-over to the extent of under-subscription shall be permitted from the reserved category to the Net Offer. If at least 60% of the Net Offer cannot be Allotted to QIBs, then the entire application money will be refunded. In the event that the aggregate demand in the QIB Portion has been met, under subscription/ unallocated portion in any other category, if any, would be allowed to be met with spill-over from other categories or combination of categories at the discretion of the Selling Shareholder and our Company in consultation with the BRLMs.*

\# *In case of ASBA Bidders, the SCSB shall be authorized to block such funds in the bank account of the ASBA Bidder that are specified in the ASBA Bid cum Application Form.*

Retail and Employee Discount

A discount of Rs [] to the Offer Price determined pursuant to completion of the Book Building Process shall be offered to Retail Individual Bidders and Eligible Employees (the "**Retail and Employee Discount**").Retail Individual Bidders and Eligible Employees bidding at a price within the Price Band have to make payment based on their highest bid price option. Retail Individual Bidders and Eligible Employees bidding at Cut-Off Price have to ensure payment at the upper end of the Price Band.

Retail Individual Bidders and Eligible Employees should note that discount is not offered on application but on allotment. The excess amount paid on application would be refunded to such Bidders after Allotment along with any other refund, if any.

Withdrawal of the Offer

Our Company and the Selling Shareholder in consultation with the BRLMs, reserves the right not to proceed with the Offer at any time after the Bid/Offer Opening Date but before the Allotment. If Selling Shareholder /our Company withdraw the Offer, it shall issue a public notice that shall include reasons for such withdrawal, within two days of the Bid/Offer Closing Date. The notice of withdrawal shall be issued in the same newspapers where the pre-Offer advertisements were published and the Stock Exchanges shall also be informed promptly. The BRLMs, through the Registrar to the Offer, shall notify the SCSBs to unblock bank accounts of the ASBA Bidders within one day from the receipt of such notification. If the Selling Shareholder /our Company withdraw the Offer after the Bid/Offer Closing Date and thereafter determines that it will proceed with an initial public offering, it shall file a fresh Red Herring Prospectus with SEBI.

Notwithstanding the foregoing, the Offer is also subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges, which our Company shall apply for only after Allotment and within seven Working Days of finalization of Basis of Allotment and (ii) the final RoC approval of the Prospectus after it is filed with the Stock Exchanges.

Letters of Allotment or Refund Orders

Our Company and Selling Shareholder shall facilitate and shall give credit to the beneficiary account with depository participants within fifteen days of the date of the Bid/Offer Closing Date. Our Company, on behalf of the Selling Shareholder, shall dispatch refund orders, if any, of value up to Rs. 1,500, by "Under Certificate of Posting", and will dispatch refund orders above Rs. 1,500, if any, by registered post or speed post at the sole or first Bidder's sole risk within 15 days of the Bid/Offer Closing Date.

Interest in case of delay in dispatch of Allotment Letters/Refund Orders

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI ICDR Regulations, the Selling Shareholding further undertakes that:

- Allotment of Equity Shares will be made only in dematerialized form within 15 days from the Bid/Offer Closing Date;

- Dispatch of refund orders will be done within 15 days from the Bid/Offer Closing Date or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions will be given to the clearing system; and

- The Selling Shareholder shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if allotment is not made, refund orders are not dispatched or if, in a case where the refund or portion thereof is made in electronic manner, through Direct Credit, NEFT, RTGS or NECS the refund instructions have not been given to the clearing system in the disclosed manner and/or demat credits are not made to investors within the 15 day time prescribed above.

The Selling Shareholder will provide adequate funds required for dispatch of refund orders or Allotment advice to the Registrar to the Offer.

Refunds will be made through any of the modes as described in the Red Herring Prospectus and bank charges, if any, for encashing cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

Offer Program

BID/OFFER OPENS ON	**April 29, 2010**
BID/OFFER CLOSES ON	**May 3, 2010**

Bids and any revision in Bids will be accepted **only between 10.00 a.m. and 5.00 p.m.** (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centers mentioned in the Bid cum Application Form, **except that on the Bid/Offer Closing Date, Bids excluding ASBA Bids, or in case of Bids submitted through ASBA, the Designated Branches of the SCSBs shall be accepted only between 10.00 a.m. and 3.00 p.m.** (Indian Standard Time) and uploaded until (i) 4.00 p.m. in case of Bids by QIB Bidders and Non-Institutional Bidders; and (ii) 5.00 p.m., which may be extended up to such time as permitted by the Stock Exchanges in case of Bids by Retail Individual Bidders and Eligible Employees where the Bid Amount is up to Rs. 100,000. Due to limitation of time available for uploading the Bids on the Bid/Offer Closing Date, the Bidders are advised to submit their Bids one day prior to the Bid/Offer Closing Date and, in any case, no later than 1.00 p.m. (Indian Standard Time) on the Bid/Offer Closing Date. Bidders are cautioned that in the event a large number of Bids are received on the Bid/Offer Closing Date, as is typically experienced in public offerings in India, which may lead to some Bids not being uploaded due to lack of sufficient time to upload, such Bids that have not been uploaded will not be considered for allocation in the Offer. If such Bids are not uploaded, the Selling Shareholder, our Company, the BRLMs and the Syndicate Members shall not be responsible. Bids will be accepted only on Working Days.

On the Bid/Offer Closing Date, extension of time may be granted by the Stock Exchanges only for uploading the Bids received for an amount upto Rs.100,000 by Retail Individual Bidders and Eligible Employees bidding under the Employee Reservation Portion, after taking into account the total number of Bids received up to the closure of timings for acceptance of Bid-cum Application Forms and ASBA Forms as stated herein and reported by the BRLMs to the Stock Exchanges within half an hour of such closure.

The Selling Shareholder and our Company in consultation with the Book Running Lead Managers reserves the right to revise the Price Band during the Bidding Period in accordance with SEBI ICDR Regulations. The Cap Price shall not be more than 20% of the Floor Price, i.e., the Floor Price can move up or down to the extent of 20% of the Floor Price as announced in the newspapers or as mentioned in the RHP and the Cap Price will be revised accordingly.

In case of revision in the Price Band, the Bidding Period will be extended for three additional Working Days after revision of Price Band subject to the Bidding Period not exceeding 10 Working Days. Any revision in the Price Band and the revised Bidding Period, if applicable, will be widely disseminated by notification to the SCSBs and Stock Exchanges, by issuing a press release, and also by indicating the change on the web site of the BRLMs and at the terminals of the members of the Syndicate.

OFFER PROCEDURE

Book Building Process

Pursuant to the provisions of regulation 41 (2) (a) of the SEBI ICDR Regulations, the Net Offer consists of an offer for sale of less than 10% of the issued and paid up share capital of our Company and is being made through a 100% book building process in compliance with the provisions of Rule 19(2)(b) of the SCRR, wherein at least 60% of the Net Offer shall be Allotted on a proportionate basis to Qualified Institutional Buyers. 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs, including Mutual Funds, subject to valid Bids being received at or above the Offer Price. If at least 60 % of the Net Offer cannot be Allotted to QIBs, then the entire application money will be refunded forthwith. Further, not less than 10% of the Net Offer shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Net Offer shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Offer Price. Under-subscription/ unallocated portion, if any, in any category, except the QIB Portion, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company, in consultation with the BRLMs.

Bidders are required to submit their Bids through the Syndicate. QIB Bidders are required to submit their Bids either through BRLMs or their affiliates only.

Investors should note that Allotment of Equity Shares to all successful Bidders will only be in the dematerialized form. Bidders will not have the option of getting Allotment of the Equity Shares in physical form. The Equity Shares on Allotment shall be traded only in the dematerialized segment of the Stock Exchanges.

Further, our Company, the Selling Shareholder and the Book Running Lead Managers are not liable to inform the investors of any amendments or modifications or changes in applicable laws or regulations which may occur after the date of the RHP. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under applicable laws, regulations or approvals. Bidders are advised to make their own enquiries about the limits applicable to them.

Bid cum Application Form

Bidders shall only use the specified Bid cum Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of the RHP. Before being issued to Bidders, the Bid cum Application Form shall be serially numbered and date and time stamped at the bidding centers and such form shall be issued in duplicate signed by the Bidder and countersigned by the relevant member of the Syndicate. The Bid cum Application Form shall contain information about the Bidder and the price and the number of Equity Shares that the Bidder wishes to Bid. The Bidders shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple Applications. Upon the allocation of Equity Shares, dispatch of the CAN, and filing of the Prospectus with the RoC, the Bid cum Application Form shall be considered as the application form. Upon completing and submitting the Bid cum Application Form to a member of the Syndicate, the Bidder is deemed to have authorized our Company to make the necessary changes in the Red Herring Prospectus and the Bid cum Application Form as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed color of the Bid cum Application Form for various categories is as follows:

Category	Color of Bid cum Application Form
Resident Indians, Eligible NRIs applying on a non repatriation basis, and QIB	White
Eligible NRIs, FVCIs, FIIs on a repatriation basis	Blue
ASBA Bidders	Green
Eligible Employees in the Reservation Portion	Pink

ASBA Bidders shall submit an ASBA Bid cum Application Form either in physical or electronic form to the SCSB authorizing blocking funds that are available in the bank account specified in the ASBA Bid cum Application Form used by ASBA Bidders. Bidders shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple Applications. Upon the allocation of Equity Shares, dispatch of the CAN, and filing of the Prospectus with the RoC, the ASBA Bid cum Application Form shall be considered as the Application Form. Upon completing and submitting the ASBA Bid cum Application Form for ASBA Bidders to the SCSB, the ASBA Bidder is deemed to have authorized our Company to make the necessary changes in the Red Herring Prospectus and the ASBA Bid cum Application Form as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the ASBA Bidder.

Who can Bid?

- Indian nationals resident in India who are majors, or in the names of their minor children as natural/legal guardians in single or joint names (not more than three);

- Hindu Undivided Families or HUFs, in the individual name of the *Karta*. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the *Karta*". Bids by HUFs would be considered at par with those from individuals;

- Companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in the equity shares;

- Eligible NRIs on a repatriation basis or a non-repatriation basis subject to applicable laws. NRI's other than Eligible NRI's are not eligible to participate in the Offer;

- Mutual Funds registered with SEBI;

- Indian Financial Institutions, scheduled commercial banks (excluding foreign banks), regional rural banks, co-operative banks (subject to RBI regulations and the SEBI ICDR Regulations and other regulations, as applicable);

- Venture Capital Funds registered with SEBI;

- Foreign Venture Capital Investors registered with SEBI;

- Multilateral and bilateral development financial institutions;

- State Industrial Development Corporations;

- Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts/societies and who are authorized under their constitution to hold and invest in equity shares;

- FIIs and sub-accounts registered with SEBI, other than a sub-account which is a foreign corporate or a foreign individual under the QIB Portion;

- Sub-accounts of FIIs registered with SEBI, which are foreign corporate or foreign individuals, only under the Non Institutional Bidders Category.

- Scientific and/or Industrial Research Organizations authorized to invest in equity shares;

- Insurance companies registered with Insurance Regulatory and Development Authority, India;

- Provident Funds with minimum corpus of Rs. 250 million and who are authorized under their constitution to hold and invest in equity shares;

- Pension Funds with minimum corpus of Rs. 250 million and who are authorized under their constitution to hold and invest in equity shares;

- National investment fund set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of Government of India published in the Gazette of India;

- Insurance funds set up and managed by army, navy or air force of the Union of India

- Eligible Employees of our company; and

- All other persons eligible to invest under all applicable laws, rules, regulations and guidelines.

Note: As per existing regulations, OCBs cannot participate in the Offer.

The Equity Shares have not been, and will not be, registered under the United States Securities Act of 1933 as amended (the "Securities Act"). The Equity Shares may not be offered, sold or delivered in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Equity Shares are being offered by the Selling Shareholder: (i) in the United States, only to "qualified institutional buyers" as defined in, and pursuant to, Rule 144A ("Rule 144A") under the Securities Act and (ii) outside the United States, in offshore transactions in reliance on Regulation S under the Securities Act ("Regulation S"). Purchasers are hereby notified that the Selling Shareholder may be relying on the exemptions from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Participation by associates of the BRLMs and the Syndicate Members

The BRLMs and the Syndicate Members shall not be entitled to subscribe to the Offer in any manner except towards fulfilling their underwriting obligations. However, associates and affiliates of the BRLMs and the Syndicate Members are entitled to subscribe for Equity Shares in the Offer, either in the QIB Portion or in the Non-Institutional Portion, as may be applicable to such investors. Such bidding and subscription may be on their own account or their clients.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law.

Bids by Mutual Funds

Procedure for Application by Mutual Funds

Under the SEBI ICDR Regulations, 5% of the QIB Portion, i.e. 12,349,500 Equity Shares have been specifically reserved for Mutual Funds to be allocated on a proportionate basis. An eligible Bid by a Mutual Fund in the Mutual Fund Portion shall first be considered for allocation proportionately in the Mutual Fund Portion. In the event that the demand in the Mutual Fund Portion is greater than 12,349,500 Equity Shares, allocation shall be made to Mutual Funds proportionately, to the extent of the Mutual Fund Portion. The remaining demand by the Mutual Funds shall, as part of the aggregate demand by QIBs, be available for allocation proportionately out of the remainder of the QIB Portion, after excluding the allocation in the Mutual Fund Portion.

As per the current regulations, the following restrictions are applicable for investments by mutual funds:

- No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under all its schemes should own more than 10% of any company's paid-up share capital carrying voting rights.

- The Bids made by asset management companies or custodians of Mutual Funds shall clearly indicate the name of the concerned scheme for which Application is being made.

Multiple Applications

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Applications provided that the Bids clearly indicate the scheme concerned for which the Bid has been made

Bids by Eligible NRIs

Eligible NRIs are required to note the following:

- Bid cum Application Forms (blue in color) have been made available for NRIs at our Registered Office as well as by the members of the Syndicate and the Registrar to the Offer.

- Eligible NRIs may please note that only such Applications as are accompanied by payment in free foreign exchange or by debit to their NRE or FCNR accounts shall be considered for Allotment. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the Bid cum Application Form meant for Resident Indians (white in color).

- Eligible NRIs may also use the ASBA facility to make an Application by using ASBA Bid Cum Application Form (green in color), by indicating the appropriate category in the ASBA Bid Cum Application Form.

- ASBA Bid cum Application Forms are available at the Registered Office and the SCSBs.

Bids by FIIs

As per the current regulations, the following restrictions are applicable for investments by FIIs:

The offer of Equity Shares to a single FII should not exceed 10% of our paid up capital (i.e. 4,136,626,500 Equity Shares). In respect of an FII investing in our Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of our total issued capital in case such sub-account is a foreign corporate or an individual. As of now, in accordance with the foreign investment limits applicable to us, the total foreign investment including FII investment cannot exceed 24% of our total issued capital unless approved by the shareholders of our Company.

Subject to compliance with all applicable Indian laws, rules, regulations guidelines and approvals in terms of Regulation 15A(1) of the SEBI (Foreign Institutional Investors) Regulations 1995, as amended, by the SEBI (Foreign Institutional Investors)(Amendment) Regulations, 2008 ("**SEBI FII Regulations**"), an FII, as defined in the SEBI FII Regulations, or its sub account may issue, deal or hold, off shore derivative instruments (defined under the SEBI FII Regulations, as any instrument, by whatever name called, which is issued overseas by a foreign institutional investor against securities held by it that are listed or proposed to be listed on any recognized stock exchange in India, as its underlying) directly or indirectly, only in the event (i) such offshore derivative instruments are issued only to persons who are regulated by an appropriate foreign regulatory authority; and (ii) such offshore derivative instruments are issued after compliance with 'know your client' norms. The FII or sub-account is also required to ensure that no further issue or transfer of any offshore derivative instrument issued by it is made to any persons that are not regulated by an appropriate foreign regulatory authority as defined under the SEBI FII Regulations. Associates and affiliates of the underwriters including the BRLMs and the Syndicate Members that are FIIs may issue offshore derivative instruments against Equity Shares Allotted to them in the Offer.

Bids by SEBI registered Venture Capital Funds and Foreign Venture Capital Investors

As per the current regulations, the following restrictions are applicable for SEBI registered Venture Capital Funds and Foreign Venture Capital Investors:

The SEBI (Venture Capital) Regulations, 1996 and the SEBI (Foreign Venture Capital Investor) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors, respectively, registered with SEBI. Accordingly, the holding in any company by any individual venture capital fund or foreign venture capital investor registered with SEBI should not exceed 25% of the corpus of the venture capital fund/foreign venture capital investor. However, venture capital funds and foreign venture capital investors may invest not more than 33.33% of their respective investible funds in various prescribed instruments, including in initial public offers. Further, FVCIs investing in the Offer should confirm that no approvals from the appropriate regulatory authorities are required to be obtained by the concerned FVCI.

Bids by Eligible Employees

Eligible Employees are required to note the following:

- The sole/First Bidder shall be an Eligible Employee.

- Bid cum Application Forms (pink in color) have been made available for Eligible Employees at our Registered Office as well as by the members of the Syndicate and the Registrar to the Offer.

- Eligible Employees who are also Eligible NRIs may please note that only such Applications as are accompanied by payment in free foreign exchange or by debit to their NRE or FCNR accounts shall be considered for Allotment. The Eligible Employees who are also Eligible NRIs, who intend to make payment through Non-Resident Ordinary (NRO) accounts shall put in their bids as residents.

- Eligible Employees may also use the ASBA facility to make an Application by using ASBA Bid Cum Application Form (green in color), by indicating the appropriate category in the ASBA Bid Cum Application Form.

- ASBA Bid cum Application Forms are available at the Registered Office and the SCSBs.

- Eligible Employees should ensure to fill out the Employee Number at the appropriate box in the Bid cum Application Form for Eligible Employees/ ASBA Bid cum Application Form for Eligible Employees.

Bids by SEBI registered Venture Capital Funds and Foreign Venture Capital Investors

As per the current regulations, the following restrictions are applicable for SEBI registered Venture Capital Funds and Foreign Venture Capital Investors:

The SEBI (Venture Capital) Regulations, 1996 and the SEBI (Foreign Venture Capital Investor) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors, respectively, registered with SEBI. Accordingly, the holding in any company by any individual venture capital fund or foreign venture capital investor registered with SEBI should not exceed 25% of the corpus of the venture capital fund/foreign venture capital investor. However, venture capital funds and foreign venture capital investors may invest not more than 33.33% of their respective investible funds in various prescribed instruments, including in initial public offers. Further, FVCIs investing in the Offer should confirm that all approvals from appropriate regulatory authorities have been obtained by the concerned FVCI.

The above information is given for the benefit of the Bidders. Our Company, the Selling Shareholder and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable investment limits under laws or regulations or maximum number of Equity Shares that can be held by them under applicable laws.

Maximum and Minimum Bid Size

(a) **For Retail Individual Bidders:** The Bid must be for a minimum of One Bid Lot, so as to ensure that the Bid Amount payable by the Bidder does not exceed Rs. 100,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs. 100,000. In case the Bid Amount is over Rs. 100,000 due to revision of the Bid or revision of the Price Band or on exercise of cut-off option, the Bid would be considered for allocation under the Non-Institutional Portion. The option to Bid at Cut-off Price is an option given to the Retail

Individual Bidders indicating their agreement to Bid and purchase at a discount of Rs. [•] to the Offer Price as determined at the end of the Book Building Process.

(b) **For Other Bidders (Non-Institutional Bidders and QIBs bidding in the QIB Portion):** The Bid must be for a minimum of such number of Bid Lots that the Bid Amount exceeds Rs. 100,000 and in multiples of [●] Bid Lots thereafter. A Bid cannot be submitted for more than the Offer Size. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws. **Under existing SEBI ICDR Regulations, a QIB Bidder bidding in the QIB Portion cannot withdraw its Bid after the Bid/Offer Closing Date and is required to pay the QIB Margin Amount upon submission of Bid.**

In case of revision in Bids, the Non-Institutional Bidders have to ensure that the Bid Amount is greater than Rs. 100,000 for being considered for allocation in the Non-Institutional Portion. In case the Bid Amount reduces to Rs. 100,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non-Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non-Institutional Bidders and QIBs are not allowed to Bid at "Cut-off‟.

(c) For Employees bidding in the Employee Reservation Portion: The Bid must be for a minimum of one Bid Lot and in multiples of one Bid Lot thereafter, so as to ensure that the Bid Amount payable by the Bidder does not exceed Rs.100,000. Bidders in the Employee Reservation Portion have the option to bid at the Cut-off Price indicating their agreement to Bid and purchase at a discount of Rs. [•] to the Offer Price as determined at the end of the Book Building Process. The Allotment in the Employee Reservation Portion will be on a proportionate basis, subject to allotment not exceeding Rs. 100,000 for each Eligible Employee.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Red Herring Prospectus

Information for the Bidders:

(a) The Red Herring Prospectus has been filed by Our Company with the RoC at least three days before the Bid/Offer Opening Date.

(b) The members of the Syndicate will circulate copies of the Bid cum Application Form to potential investors, and at the request of potential investors, copies of the Red Herring Prospectus.

(c) Our Company, on behalf of the Selling Shareholder, and the BRLMs shall declare the Bid/Offer Opening Date and Bid/Offer Closing Date at the time of filing of the Red Herring Prospectus with the RoC and the same shall also be published in two national newspapers with wide circulation (one in English and one in Hindi). Hindi is also the regional language of the state of Himachal Pradesh.

(d) The Members of the Syndicate shall accept Bids from the Bidder during the Bidding Period in accordance with the terms of the Syndicate Agreement.

(e) Any investor (who is eligible to invest in our Equity Shares) who would like to obtain the Red Herring Prospectus and/ or the Bid cum Application Form can obtain the same from our Registered Office or from any of the members of the Syndicate.

(f) Eligible investors who are interested in subscribing to the Equity Shares should approach any of the BRLMs or the Syndicate Members or their authorized agent(s) to register their Bids.

(g) The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms should bear the stamp of the members of the Syndicate. Bid cum Application Forms, which do not bear the stamp of the members of the Syndicate, will be rejected.

Method and Process of Bidding

(a) Our Company, the Selling Shareholders and the BRLMs shall declare the Bid/Offer Opening Date and Bid/Offer Closing Date at the time of filing the Red Herring Prospectus with RoC and the same shall also be published in two national newspapers with wide circulation (one in English and one in Hindi). Hindi is also the regional language of the state of Himachal Pradesh. This advertisement, subject to the provisions of Section 66 of the Companies Act shall be in the format prescribed in Schedule XIII of the SEBI ICDR Regulations.

(b) The Price Band and the minimum Bid lot size for the Offer will be decided by our Company and the Selling Shareholder in consultation with the BRLMs, and the same shall also be published in two national newspapers with wide circulation (one in English and one in Hindi). Hindi is also the regional language of the state of Himachal Pradesh. The BRLMs and the Syndicate Members shall accept Bids from Bidders during the Bidding Period in accordance with the terms of the Syndicate Agreement.

(c) Investors who are interested in subscribing to the Equity Shares should approach any of the members of the Syndicate or their authorized agents to register their Bids, during the Bidding Period. The Members of the Syndicate shall accept Bids from all the other Bidders, except QIB Bidders, and shall have the right to vet the Bids, during the Bidding Period in accordance with the terms of the Syndicate Agreement and Red Herring Prospectus.

(d) The Bidding Period shall be for a minimum of three Working Days and not exceeding 10 Working Days (including the days for which the Bid/Offer is open in case of revision in Price Band). In case the Price Band is revised, the revised Price Band and the Bidding Period shall be published in two national newspapers with wide circulation (one in English and one in Hindi). Hindi is also the regional language of the state of Himachal Pradesh.

(e) Each Bid cum Application Form will give the Bidder the choice to Bid for up to three optional prices (for details see "***Bids at Different Price Levels***" below, within the Price Band and specify the demand (i.e., the number of Equity Shares Bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Offer Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Offer Price will be considered for allocation/Allotment and the rest of the Bid(s), irrespective of the Bid Amount, will become automatically invalid.

(f) The Bidder cannot Bid on another Bid cum Application Form after Bids on one Bid cum Application Form have been submitted to any member of the Syndicate. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate will be treated as multiple Applications and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or Allotment of Equity Shares in the Offer. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed in the "***Build up of the Book and Revision of Bids***" on page 201.

(g) The Members of the Syndicate will enter each Bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip ("**TRS**"), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid cum Application Form.

(h) Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the paragraph titled "***Terms of Payment and Payment into the Escrow Account(s)***" on page 199.

(i) The identity of QIB Bidders shall not be made public.

Bids at Different Price Levels

(a) The Price Band has been fixed at Rs. [•] to Rs. [•] per Equity Share of Rs. 10 each, Rs. [•] being the Floor Price and Rs. [•] being the Cap Price. The Price Band and the minimum bid lot will be decided by our company and the Selling Shareholder in consultation with the BRLMs and will be published in all editions of Indian Express and all editions of Jansatta at least two (2) Working Days prior to the Bid/Offer Opening Date. The Bidders can Bid at any price within the Price Band, in multiples of Re. 1.

(b) Our Company and the Selling Shareholder in consultation with the BRLMs reserves the right to revise the Price Band, during the Bidding Period, in accordance with the SEBI ICDR Regulations provided that the Cap Price shall be less than or equal to 120% of the Floor Price and the Floor Price shall not be less than the face value of the Equity Shares. The revision in Price Band shall not exceed 20% on either side i.e. Floor Price can move up and down to the extent of 20% of the Floor Price as disclosed in the Red Herring Prospectus.

(c) In case of revision in the Price Band, the Bidding Period will be extended for at least three Working Days subject to total Bidding Period of a maximum of 10 Working Days. Any revision in the Price Band and the revised Bidding Period, if applicable, will be widely disseminated by notification to the Stock Exchanges and SCSBs, by issuing a public notice in two widely circulated newspapers, one each in English and Hindi, and also by indicating the change on the websites of the BRLMs and at the terminals of the Syndicate Members. Hindi is also the regional language of the state of Himachal Pradesh.

(d) Our Company and the Selling Shareholder in consultation with the BRLMs can finalize the Offer Price within the Price Band in accordance with this clause, without the prior approval of or intimation to the Bidders.

(e) The Bidder can Bid at any price within the Price Band. The Bidder has to Bid for the desired number of Bid Lots at a specific price. Retail Individual Bidders applying for a maximum Bid in any of the bidding options not exceeding Rs. 100,000 may Bid at Cut-off Price. However, bidding at Cut-off Price is prohibited for QIB or Non-Institutional Bidders and such Bids from QIBs and Non-Institutional Bidders shall be rejected. Employee Discount will be applicable to all Eligible Employees with a maximum bid in the Employee Reservation Portion being Rs. 100,000. Retail Discount will be applicable to all Retail Individual Bidders with a maximum bid being Rs. 100,000

(f) Retail Individual Bidders and Eligible Employees bidding under the Employee Reservation Portion who Bid at the Cut-off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders and Eligible Employees bidding under the Employee Reservation Portion bidding at Cut-off Price shall deposit the Bid Amount based on the Cap Price in the Escrow Account(s).
The Selling Shareholder in consultation with the BRLMS may decide to offer discount of Rs.[•] to the Offer Price determined pursuant to the completion of the Book Building Process to the Eligible Employees and Retail Individual Bidders

(g) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders and Eligible Employees bidding under the Employee Reservation Portion who had Bid at Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the revised Cap Price (such that the total amount i.e., original Bid Amount plus additional payment does not exceed Rs. 100,000 for Retail Individual Bidders and Eligible Employees bidding under the Employee Reservation Portion bidding at the Cut-off Price, if the Bidder wants to continue to Bid at Cut-off Price), with the Syndicate Members to whom the original Bid was submitted. In case the total amount (i.e., original Bid Amount plus additional payment) exceeds Rs. 100,000 for Retail Individual Bidders bidding at the Cut-off Price the Bid will be considered for allocation under the Non-Institutional Portion in terms of the RHP. If, however, the Bidder does not either revise the Bid or make additional payment and the Offer Price is higher than the Cap Price prior to revision, the number of Equity Shares Bid for shall be adjusted downwards for the purpose of Allotment, such that the no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.

(h) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders and Eligible Employees bidding under the Employee Reservation Portion who have Bid at Cut-off Price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Refund Account.

(i) In the event of any revision in the Price Band, whether upwards or downwards, the minimum Application size shall remain one Bid Lot irrespective of whether the Bid Amount payable on such minimum Application is not in the range of Rs. 5,000 to Rs. 7,000.

(j) When a Bidder has revised his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. It is the Bidder's responsibility to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.

Terms of Payment and Payment into the Escrow Account(s)

Each Bidder shall provide the applicable Margin Amount, with the submission of the Bid cum Application Form by drawing a cheque or demand draft for the Bid Amount in favor of the Escrow Account(s) of the Escrow Collection Bank(s) (for details see "***Offer Procedure-Payment Instructions***" on page 208), and submit the same to the member of the Syndicate to whom the Bid is being submitted. Bid cum Application Forms accompanied by cash/ money order shall not be accepted. The Bidder may also provide the applicable Margin Amount by way of an electronic transfer of funds through the RTGS mechanism. In case the Margin Amount is paid through cheque/demand draft, each QIB shall provide its Margin Amount only to the BRLMs and their affiliates. In case of payment of Margin Amount through RTGS, each QIB shall make the payment directly to the Escrow Collection Bank(s) in the designated account. The Margin Amount based on the Bid Amount has to be paid at the time of the submission of the Bid cum Application Form. The Margin Amount shall be entered and printed on the TRS which shall be furnished upon request.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold such monies for the benefit of the Bidders until the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds equivalent to the size of the Offer from the Escrow Account(s), as per the terms of the Escrow Agreement, into the Public Offer Account with the Banker(s) to the Offer. The balance amount after transfer to the Public Offer Account shall be held for the benefit of the Bidders who are entitled to refunds. No later than 15 days from the Bid/Offer Closing Date, the Registrar to the Offer shall dispatch all refund amounts payable to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for Allotment to the Bidders.

Each category of Bidders i.e., QIB Bidders, Non-Institutional Bidders, Retail Individual Bidders, Eligible Employees would be required to pay their applicable Margin Amount, as the case may be, at the time of the submission of the Bid cum Application Form. The Margin Amount payable by each category of Bidders is mentioned under the "***Offer Structure***" on page 185. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares transferred at the Offer Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date. If the payment is not made favoring the Escrow Account(s) within the time stipulated above, the Bid of the Bidder is liable to be rejected.

Where the Bidder has been allocated lesser number of Equity Shares than he or she had Bid for, the excess amount paid on Bidding, if any, after adjustment for allocation/ transfer, will be refunded to such Bidder within 15 days from the Bid/Offer Closing Date, failing which the Selling Shareholder shall pay interest at 15% per annum for any delay beyond the periods as mentioned above.

Electronic Registration of Bids

(a) The members of the Syndicate will register the Bids received, using the on-line facilities of the Stock Exchanges. There will be at least one on-line connectivity in each city, where the Stock Exchanges are located in India and where such Bids are being accepted.

(b) The Stock Exchanges will offer a screen-based facility for registering such Bids for the Offer. This facility will be available on the terminals of the members of the Syndicate and their authorized agents during the Bidding Period. The Syndicate Members can also set up facilities for off-line electronic registration of Bids subject to the condition that it will subsequently upload the off-line data file into the on-line facilities for book building on a half hourly basis.

(c) On the Bid/Offer Closing Date, the members of the Syndicate shall upload the Bids till such time as may be permitted by the Stock Exchanges. This information will be available with the BRLMs on a regular basis. Bidders are cautioned that a high inflow of bids typically experienced on the last day of the Bidding may lead to some Bids received on the last day not being uploaded due to insufficient uploading time, and such bids that are not uploaded will not be considered for allocation. Bids will only be accepted on Working Days, i.e., Monday to Friday (excluding any public holiday).

(d) The aggregate demand and price for Bids registered on the electronic facilities of the Stock Exchanges will be uploaded on a regular basis, consolidated and displayed on-line at all bidding centers and the website of the Stock Exchanges. A graphical representation of consolidated demand and price would be made available at the bidding centers and at the websites of each of the Stock Exchanges during the Bidding Period.

(e) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:

- Name of the investor. Bidders should ensure that the name given in the Bid cum Application Form is exactly the same as the name in which the Depositary Account is held. In case the Bid cum Application Form is submitted in joint names, Bidders should ensure that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form.

- Investor Category – Individual, Corporate, Eligible NRI, FII, or Mutual Fund, QIBs, etc.

- Numbers of Equity Shares Bid for.

- Bid Amount.

- Bid cum Application Form number.

- Whether Margin Amount has been paid upon submission of Bid cum Application Form.

- DP ID and Client ID of the beneficiary account of the Bidder.

(f) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. **It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate.** The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated/ Allotted.

(g) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

(h) In the case of QIB Bidders, members of the Syndicate also have the right to accept the Bid or reject it. However, such rejection should be made at the time of receiving the Bid and only after assigning a reason for such rejection in writing. In case of Non-Institutional Bidders, Retail Individual Bidders and Eligible Employees, Bids would not be rejected except on the technical grounds listed in the "***Offer Procedure-Grounds for Technical Rejections***" on page 211.

(i) The permission given by the Stock Exchanges to use their network and software of the Online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company, and/or the BRLMs are cleared or approved by the Stock Exchanges; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, our Promoters, our management or any scheme or project of our Company.

(j) It is also to be distinctly understood that the approval given by the Stock Exchanges should not in any way be deemed or construed that this Red Herring Prospectus has been cleared or approved by the Stock Exchanges; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the BSE and the NSE.

(k) Only Bids that are uploaded on the online IPO system of the NSE and the BSE shall be considered for allocation/ Allotment. In case of discrepancy of data between the BSE or the NSE and the members of the Syndicate, the decision of the BRLMs based on the physical records of Bid Application Forms shall be final and binding on all concerned.

Build Up of the Book and Revision of Bids

(a) Bids registered by various Bidders, through the members of the Syndicate shall be electronically transmitted to the Stock Exchanges mainframe on a regular basis.

(b) The book gets built up at various price levels. This information will be available with the BRLMs on a regular basis.

(c) During the Bidding Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band using the printed Revision Form, which is a part of the Bid cum Application Form.

(d) Revisions can be made in both the desired number of Equity Shares and the Bid Amount by using the Revision Form. Apart from mentioning the revised options in the Revision Form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being revised, in the Revision Form. The members of the Syndicate will not accept incomplete or inaccurate Revision Forms.

(e) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.

(f) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Red Herring Prospectus. In case of QIB Bidders in the QIB Portion, the members of the Syndicate shall collect the payment in the form of cheque or demand draft or the electronic transfer of funds through RTGS for the incremental amount in the QIB Margin Amount, if any, to be paid on account of the upward revision of the Bid at the time of one or more revisions by the QIB Bidders.

(g) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**

(h) Only Bids that are uploaded on the online IPO system of the Stock Exchanges shall be considered for allocation/ Allotment. In case of discrepancy of data between the BSE or the NSE and the members of the Syndicate, the decision of the BRLMs based on the physical records of Bid Application Forms shall be final and binding on all concerned.

Price Discovery and Allocation

(a) After the Bid/Offer Closing Date, the BRLMs will analyze the demand generated at various price levels and discuss pricing strategy with our Company and the Selling Shareholder.

(b) Our Company and the Selling Shareholder in consultation with the BRLMs shall finalize the Offer Price. The Selling Shareholder in consultation with the BRLMs shall finalize, the Retail and Employee Discount.

(c) The allocation under the Employee Reservation Portion would be on a proportionate basis, in the manner specified in the SEBI ICDR Regulations and the RHP, subject to valid Bids being received at or above the Offer Price.

(d) Any unsubscribed portion/ unallocated portion in any reserved category shall be added to the Net Offer. In case of under-subscription in the Net Offer, spill-over to the extent of under-subscription shall be permitted from the reserved category to the Net Offer. However, if the aggregate demand by Mutual Funds in the Mutual Fund Portion is less than 12,349,500 Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be Allotted proportionately to the QIB Bidders. If at least 60% of the Net Offer cannot be allotted to QIBs, then the entire Application money will be refunded. In the event that the aggregate demand in the QIB Portion has been met, under subscription/ unallocated portion in any other category, if any, would be allowed to be met with spill-over from other categories or combination of categories at the discretion of our Company and the Selling Shareholders in consultation with the BRLMs and the Designated Stock Exchange.

(e) Allocation to Eligible NRIs, FIIs and foreign venture capital funds registered with SEBI applying on repatriation basis will be subject to applicable law and the terms and conditions stipulated by the FIPB and RBI, while granting permission for Allotment of Equity Shares to them in the Offer.

(f) The BRLMs, in consultation with our Company and the Selling Shareholder shall notify the members of the Syndicate of the Offer Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.

(h) In terms of the SEBI ICDR Regulations, QIBs bidding in the QIB Portion shall not be allowed to withdraw their Bid after the Bid/Offer Closing Date.

(i) Our Company and the Selling Shareholder in consultation with the BRLMs, reserves the right to reject any Bid procured from QIB Bidders. Rejection of Bids by QIBs bidding in the QIB Portion, if any will be made at the time of submission of Bids provided that the reasons for rejecting the same shall be provided to such Bidder in writing. In case of Non-Institutional Bidders, Retail Individual Bidders and Bids under the Employee Reservation Portion, our Company would have a right to reject the Bids only on technical grounds.

(j) The Allotment details shall be put on the website of the Registrar to the Offer.

Signing of Underwriting Agreement and RoC Filing

(a) Our Company, the Selling Shareholder, the BRLMs and the Syndicate Members shall enter into an Underwriting Agreement on finalization of the Offer Price and allocation(s) /Allotment to the Bidders.

(b) After signing the Underwriting Agreement, the updated Red Herring Prospectus will be filed by our Company with RoC, which then would be termed "Prospectus". The Prospectus would have details of the Offer Price, Offer size, underwriting arrangements and would be complete in all material respects.

(c) We have filed a copy of the RHP and will file a copy of the Prospectus with the RoC in terms of Sections 56, 60 and 60B of the Companies Act.

Announcement of pre-Offer Advertisement

Subject to Section 66 of the Companies Act, our Company and the Selling Shareholder shall, after filing of the Red Herring Prospectus, publish an advertisement, in the format prescribed by the SEBI ICDR Regulations in two national newspapers with wide circulation (one in English and one in Hindi). Hindi is the regional language of the state of Himachal Pradesh.

Issuance of CAN

(a) Upon approval of the basis of Allotment by the Designated Stock Exchange, the BRLMs or

Registrar to the Offer shall send to the members of the Syndicate a list of their Bidders who have been allocated/ Allotted Equity Shares in the Offer. The approval of the basis of Allotment by the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the basis of Allotment for the Retail Individuals and Non-Institutional Bidders. However, investors should note that our Company and the Selling Shareholder shall ensure that the Equity Shares are Allotted to all investors in the Offer on the same date.

(b) The BRLMs or the Syndicate Members would dispatch a CAN to their Bidders who have been allocated Equity Shares in the Offer. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Offer Price, for all the Equity Shares allocated to such Bidder. QIB Bidders who have not paid the entire Bid Amount into the Escrow Account(s) at the time of bidding shall pay in full the amount payable into the Escrow Account(s) by the Pay-in Date specified in the CAN.

(c) Bidders who have been allocated Equity Shares and who have already paid the Bid Amount into the Escrow Account(s) at the time of bidding shall directly receive the CAN from the Registrar to the Offer subject, however, to realization of his or her cheque or demand draft paid into the Escrow Account(s). The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Offer Price for the Allotment to such Bidder.

(d) The Issuance of CAN is subject to and "***Notice to QIBs: Allotment Reconciliation and Revised CANs***" as set forth below

Notice to QIBs: Allotment/Transfer Reconciliation and Revised CAN

After the Bid/Offer Closing Date, an electronic book will be prepared by the Registrar on the basis of Bids uploaded on the BSE/NSE systems. This shall be followed by a physical book prepared by the Registrar on the basis of the Bid cum Application Form received. Based on the electronic book or the Physical book as the case may be, QIBs bidding in the QIB Portion may be sent a CAN, indicating the number of Equity Shares that may be allocated to them. This provisional CAN and the final allocation is subject to (a) the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the reconciled book prepared by the Registrar, (b) physical Application being valid in all respects along with stipulated documents being received by the Registrar to the Offer, and (c) allotment by the Board of Directors. Subject to the SEBI ICDR Regulations, certain Applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected Applications will be reflected in the reconciliation and Basis of Allotment as approved by the Designated Stock Exchange. As a result, a revised CAN may be sent to QIBs bidding in the QIB Portion, and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased allocation of Equity Shares. The CAN shall constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Offer Price for all the Equity Shares allocated to such QIB. Any revised CAN, if issued, will supersede in entirety the earlier CAN.

Designated Date and Allotment of Equity Shares

(a) Our Company and the Selling Shareholder will ensure that the Allotment of Equity Shares is done within 15 days of the Bid/Offer Closing Date.

(b) After the funds are transferred from the Escrow Account(s) to the Public Offer Account on the Designated Date, our Company will ensure the credit to the successful Bidders depository account within two working days of the date of Allotment.

(c) In accordance with the SEBI ICDR Regulations, Equity Shares will be Allotted only in the dematerialized form to the Allottees. Allottees will have the option to re-materialize the Equity Shares, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be Allotted to them pursuant to the Offer.

General Instructions

Do's:

(a) Check if you are eligible to apply as per the terms of the Red Herring Prospectus and under applicable laws, rules and regulations;

(b) Ensure that you have Bid within the Price Band;

(c) Read all the instructions carefully and complete the Resident Bid cum Application Form (white in color) or non-resident Bid cum Application Form (blue in color), or ASBA Bid cum Application Form (Green in color), or Employee Bid cum Application Form (pink in color), as the case may be;

(d) Ensure that the details of Depository Participant and Beneficiary Account are correct (and activated) as Allotment of Equity Shares will be in the dematerialized form only;

(e) Ensure that the Bids are submitted at the bidding centers only on forms bearing the stamp of a member of the Syndicate;

(f) Ensure that you have been given a TRS for all your Bid options;

(g) Submit revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS;

(h) Ensure that each of the Bidders should mention their Permanent Account Number (PAN) allotted under the I.T. Act. Applications in which the PAN is not mentioned will be rejected, except for Bids (i) on behalf of the GoI or State Government and the officials appointed by the courts, and (ii) (subject to SEBI circular dated April 3, 2008) from the residents of the state of Sikkim. ;

(i) Ensure that the Demographic Details (as defined below) are updated, true and correct in all respects;

(j) Ensure that the name(s) given in the Bid cum Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the Bid cum Application Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Bid cum Application Form;

(k) Ensure that the bank account details of the Bidder are mentioned in the space provided in the Bid cum Application Form; and

(l) Mention the category under which the Application is being made in the Bid cum Application Form or the ASBA Bid cum Application Form as the case may be.

Don'ts:

(a) Do not Bid for lower than the minimum Bid size;

(b) Do not Bid/revise Bid Amount to less than the Floor Price or higher than the Cap Price;

(c) Do not Bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate;

(d) Do not pay the Bid Amount in cash, by money order or by postal order or by stockinvest;

(e) Do not send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate only;

(f) Do not Bid at Cut-off Price (for QIB Bidders and Non-Institutional Bidders);

(g) Do not Bid for such number of Equity Shares that exceeds the Offer Size and/ or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations;

(h) Do not submit the Bid without the applicable Margin Amount;

(i) Do not Bid for amount exceeding Rs. 100,000 in case of a Bid by Retail Individual Bidders/Eligible Employees.

(j) **Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.**

Instructions for Completing the Bid cum Application Form

Bidders can obtain Bid cum Application Forms and/or Revision Forms from the members of the Syndicate or the Registered Office of our Company or the Registrar to the Offer.

Bids and Revisions of Bids

Bids and revisions of Bids must be:

(a) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (White for Resident Indians and Eligible NRIs applying on a non-repatriation basis, Blue for Eligible NRIs and FIIs applying on a repatriation basis, Green for ASBA Bidders, and Pink for Eligible Employees.

(b) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid cum Application Form or in the Revision Form. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected.

(c) The Cut-off option is an option given only to the Retail Individual Bidders and Eligible Employees indicating their agreement to Bid and purchase at the final Offer Price as determined at the end of the Book Building Process.

(d) QIBs cannot withdraw their Bid after the Bid/Offer Closing Date.

(e) Bids by NRIs, FIIs and foreign venture capital funds registered with SEBI on a repatriation basis shall be in the names of individuals, or in the names of FIIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.

(f) In case of revision in Bids, the Non-Institutional Bidders, who are individuals, have to ensure that the Bid Amount is greater than Rs. 100,000 for being considered for allocation in the Non-Institutional Portion. In case the Bid Amount reduces to Rs. 100,000 or less due to a revision in Bids or revision of the Price Band, such Bids by Non-Institutional Bidders would be considered for allocation under the Retail Portion. Non-Institutional Bidders and QIBs are not allowed to Bid at Cut off Price.

(g) In single name or in joint names (not more than three, and in the same order as their Depository Participant details).

(h) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule to the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Bidders' Bank Details

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Offer will obtain from the Depository the demographic details including address, Bidders bank account details, MICR code and occupation (hereinafter referred to as "**Demographic Details**"). These Bank Account details would be used for giving refunds (including through physical refund warrants, direct credit, ECS/NECS, NEFT and RTGS) to the Bidders. Hence, Bidders are advised to immediately update their Bank Account details as appearing on the records of the depository participant. Please note that failure to do so could result in delays in dispatch/ credit of refunds to Bidders at the Bidders sole risk and neither the BRLMs nor the Registrar to the Offer nor the Escrow Collection Banks nor our Company nor the Selling Shareholder shall have any responsibility and undertake any liability for the same. Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.

Bidders Depository Account Details

IT IS MANDATORY FOR ALL THE BIDDERS TO RECEIVE THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND SUCH JOINT NAMES ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders /CANs /Allocation Advice and printing of Bank particulars on the refund order or making refunds electronically and the Demographic Details given by Bidders in the Bid cum Application Form would not be used for any other purpose by the Registrar to the Offer. Hence the Bidders are advised to update their Demographic Details as provided to the DP and ensure they are true and correct.
By signing the Bid cum Application Form, the Bidder would be deemed to have authorized the depositories to provide, upon request, to the Registrar to the Offer, the required Demographic Details as available on its records.

Refund orders (where refunds are not being made electronically)/Allocation Advice/CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither our Company, Selling Shareholder, Escrow Collection Bank(s) nor the Syndicate shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay. In case of refunds through electronic modes as detailed in the RHP, Bidders may note that refunds may get delayed if bank particulars obtained from the Depository Participant are incorrect.

In case no corresponding record is available with the Depositories, which matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity and the beneficiary's identity, then such Bids are liable to be rejected.

Our Company and the Selling Shareholder in their absolute discretion, reserve the right to permit the holder of the power of attorney to request the Registrar the Offer that for the purpose of printing particulars on the refund order and mailing of the refund order/CANs/allocation advice, the Demographic Details given on the Bid cum Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar to the Offer shall use Demographic Details as given in the Bid cum Application Form instead of those obtained from the Depositories.

Bids by Non Residents, Eligible NRIs, FIIs and Foreign Venture Capital Funds registered with SEBI on a repatriation basis

Bids and revision to Bids must be made:

1. On the Bid cum Application Form or the Revision Form, as applicable NRIs applying on a non-repatriation basis; blue for Eligible NRIs, FVCIs and FIIs on a repatriation basis; green for ASBA Bidders and pink for Eligible Employees and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.

2. In a single name or joint names (not more than three).

3. Eligible NRIs for a Bid Amount of up to Rs. 100,000 would be considered under the Retail Portion for the purposes of allocation and Bids for a Bid Amount of more than Rs. 100,000 would be considered under Non-Institutional Portion for the purposes of allocation; by other eligible Non Resident Bidders for a minimum of one Bid Lot and in Bid Lots thereafter such that the Bid Amount exceeds Rs. 100,000.

For further details, please refer to the "***Offer Procedure - Maximum and Minimum Bid Size***" on page 191.

In the names of individuals, or in the names of FIIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and/or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into U.S. Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. Neither our Company nor the Selling Shareholder will be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

Our Company has received all relevant approvals for the Offer of Equity Shares to Eligible NRI, FIIs, and foreign venture capital funds registered with SEBI other than approvals from the RBI. The Company has made an application to the RBI in order to obtain such approval. As per the RBI regulations, OCBs are not permitted to participate in the Offer.

There is no reservation for Eligible NRIs, FIIs and Foreign Venture Capital Funds and all Eligible NRIs, FIIs and foreign venture capital funds applicants will be treated on the same basis with other categories for the purpose of allocation.

Bids under Power of Attorney

In case of Bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the Memorandum of Association and Articles of Association and/or bye laws of the limited company, corporate body, registered society, as the case may be, must be lodged along with the Bid cum Application Form. Failing this, our Company and the Selling Shareholder reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

In case of Bids made pursuant to a power of attorney by FIIs or FVCIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, the Selling Shareholder reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

In case of Bids made pursuant to a power of attorney by Mutual Funds, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, the Selling Shareholder reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

In case of Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid cum Application Form. Failing this, our Company and the

Selling Shareholder reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

In case of Bids made by provident funds with minimum corpus of Rs. 250 million (subject to applicable law) and pension funds with minimum corpus of Rs. 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/pension fund must be lodged along with the Bid cum Application Form. Failing this, our Company and the Selling Shareholder reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

Our Company and the Selling Shareholder in their absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application form, subject to such terms and conditions that our Company, the Selling Shareholder and the BRLMs may deem fit.

Payment Instructions

Escrow Mechanism

Our Company, the Selling Shareholder and the BRLMs and their affiliates shall open Escrow Account(s) with the Escrow Collection Bank(s) for the collection of the Bid Amount payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allocation/Allotment in the Offer.

The Escrow Collection Banks will act in terms of the RHP, Prospectus and the Escrow Agreement. The Escrow Collection Bank(s), for and on behalf of the Bidders, shall maintain the monies in the Escrow Account. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds equivalent to the size of the Offer from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Offer Account and Refund Account as per the terms of the Escrow Agreement, the RHP and Prospectus. The balance amount after transfer to the Public Offer Account shall be held for the benefit of the Bidders who are entitled to refunds. Payments of refund to the Bidders shall also be made from the Refund Account are per the terms of the Escrow Agreement and the Red Herring Prospectus and Prospectus.
The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between our Company, the Selling Shareholder, the members of the Syndicate, the Escrow Collection Bank(s) and the Registrar to the Offer to facilitate collections from the Bidders. Bidders should further note that they will not receive interest on the Margin Amount except as stated in the section titled "***Interest in case of delay in dispatch of Allotment Letters/Refund Orders***" on page 189.

Under the terms of the escrow mechanism for this Offer, the Escrow Collection Banks would sweep the monies lying to the credit of the Escrow Accounts at the end of each day into a term deposit, or as may otherwise be permitted under applicable law, operated by the Escrow Collection Banks, at an interest rate as may be mutually agreed among the Escrow Collection Banks, in consultation with the Selling Shareholder. The procedures relating to the creation of such deposits and payment of interest monies, if any, thereon shall be set forth in the Escrow Agreement. The Bidders expressly agree that they shall not be entitled for any interest monies, if any, from such deposits and agree that these may be transferred to the Selling Shareholder in such proportions as may be agreed by them with the Escrow Collection Banks and provided under the escrow arrangement. Compliance shall be ensured at all times with all applicable laws including taxation laws and rules, regulations and guidelines of the RBI and SEBI as well as with the applicable terms and conditions governing such term deposits.

Payment into Escrow Account(s)

Each Bidder shall draw a cheque or demand draft or issue RTGS instructions for the amount payable on the Bid and/or on allocation/Allotment as per the following terms:

1. The Bidders for whom the applicable Margin Amount is equal to 100%, shall, with the submission of the Bid cum Application Form, draw a payment instrument for the Bid Amount in favor of the Escrow Account(s) and submit the same to the members of the Syndicate.

2. In case of QIBs bidding in the QIB Portion, where the margin is less than 100% of the Bid Amount, the balance amount shall be paid by the Bidders into the Escrow Account(s) within the period specified in the CAN. If the payment is not made in favor of the Escrow Account within the stipulated time, the Bid is liable to be rejected.

3. The payment instruments for payment into the Escrow Account should be drawn in favor of:

   - In case of resident QIB Bidders: **"Escrow Account – SJVNL Public Offer – QIB – R"**
   - In case of non-resident QIB Bidders: **"Escrow Account – SJVNL Public Offer – QIB– NR"**
   - In case of Resident Bidders: **"Escrow Account – SJVNL Public Offer - R"**
   - In case of Non Resident Bidders: **"Escrow Account – SJVNL Public Offer – NR"**
   - In case of Eligible Employees: **"Escrow Account – SJVNL Public Offer – Employee- R"**
   - In case of Eligible Employees who are also Eligible NRIs: **"Escrow Account – SJVNL Public Offer – Employee- NR"**

4. In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on Applications remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorized to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE Account or FCNR Account maintained with banks authorized to deal in foreign exchange in India.

5. In case of Bids by FIIs or FVCIs, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to Special Rupee Account.

6. Where a Bidder has been allocated/ Allotted a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated will be refunded to the Bidder from the Refund Account.

7. The monies deposited in the Escrow Account(s) will be held for the benefit of the Bidders till the Designated Date.

8. On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account(s) as per the terms of the Escrow Agreement into the Public Offer Account with the Bankers to the Offer.

9. On the Designated Date and no later than 15 days from the Bid/Offer Closing Date, the Selling Shareholder through the Registrar to the Offer shall effect refund of amounts payable to unsuccessful Bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation/Allotment to the Bidders.

10. Payments should be made by cheque, or demand draft drawn on any bank (including a Co-operative Bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the centre where the Bid cum Application Form is submitted or through RTGS payment. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and Applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/ stockinvest/Money Orders/Postal orders will not be accepted.

11. Bidders are advised to mention the number of Bid cum Application Form on the reverse of the

cheque / demand draft to avoid misuse of instruments submitted along with the Bid cum Application Form.

12. In case clear funds are not available in the Escrow Accounts as per final certificates from the Escrow Collection Banks, such Bids are liable to be rejected.

Under the terms of the escrow mechanism for this Issue, the Escrow Collection Banks would sweep the monies lying to the credit of the Escrow Accounts at the end of each day into a term deposit, or as may otherwise be permitted under applicable law, operated by the Escrow Collection Banks, at an interest rate as may be mutually agreed among the Escrow Collection Banks, in consultation with the Selling Shareholder. The procedures relating to the creation of such deposits and payment of interest monies, if any, thereon shall be set forth in the Escrow Agreement. The Bidders expressly agree that they shall not be entitled for any interest monies, if any, from such deposits and agree that these may be transferred to the Selling Shareholder in such proportions as may be agreed by them with the Escrow Collection Banks and provided under the escrow arrangement. Compliance shall be ensured at all times with all applicable laws including taxation laws and rules, regulations and guidelines of the RBI and SEBI as well as with the applicable terms and conditions governing such term deposits.

Submission of Bid Cum Application Form

All Bid cum Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the members of the Syndicate at the time of submission of the Bid.

No separate receipts shall be issued for the money payable on the submission of Bid cum Application Form or Revision Form. However, the collection centre of the members of the Syndicate will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

Other Instructions

Joint Bids in the case of Individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favor of the Bidder whose name appears first in the Bid cum Application Form or Revision Form. All communications will be addressed to the First Bidder and will be dispatched to his or her address as per the Demographic Details received from the Depository.

Multiple Applications

A Bidder should submit only one Bid cum Application Form or one ASBA Bid cum Application Form (and not more than one) for the total number of Equity Shares required. Two or more Applications will be deemed to be multiple Applications if the sole or First Bidder is one and the same. In case of a Mutual Fund, a separate Applications can be made in respect of each scheme of the mutual fund registered with SEBI and such Applications in respect of more than one scheme of the mutual fund will not be treated as multiple Applications provided that the Applications clearly indicate the scheme concerned for which the Bid has been made. Eligible Employees can apply under the Employee Reservation Portion and under applicable category under the Net Offer. These applications will not be considered Multiple Applications.

Our Company and the Selling Shareholder reserves the right to reject, in its absolute discretion, all or any multiple Applications in any or all categories. In this regard, the procedures which would be followed by the Registrar to the Offer to detect multiple Applications are given below:

1. All Applications with the same name and age will be accumulated and taken to a separate process file, which would serve as a multiple master.

2. In this master, a check will be carried out for the same PAN. In cases where the PAN is different, the same will be deleted from this master.

3. The Registrar to the Offer will obtain, from the depositories, details of the applicant‘s address based on the DP ID and Beneficiary Account Number provided in the Bid-cum-Application Form and create an address master.

4. The addresses of all the Applications in the multiple master will be strung from the address master. This involves putting the addresses in a single line after deleting non-alpha and non-numeric characters i.e. commas, full stops, hash etc. Sometimes, the name, the first line of address and pin code will be converted into a string for each Application received and a photo match will be carried out amongst all the Applications processed. A print-out of the addresses will be taken to check for common names. The Applications with same name and same address will be treated as multiple Applications.

5. The Applications will be scrutinized for DP ID and Beneficiary Account Numbers. In case Applications bear the same DP ID and Beneficiary Account Numbers, these will be treated as multiple Applications.

6. Subsequent to the aforesaid procedures, a print out of the multiple master will be taken and the Applications physically verified to tally signatures as also father‘s/ husband‘s names. On completion of this, the Applications will be identified as multiple Applications.

Our Company and the Selling Shareholder reserves the right to reject, in its absolute discretion, all or any multiple Applications in any or all categories.

Permanent Account Number or PAN

Except for Bids (i) on behalf of the GoI or State Government and the officials appointed by the courts, and (ii) (subject to the SEBI circular dated April 3, 2008) from residents of the state of Sikkim, each Bidder should mention his/her Permanent Account Number ("**PAN**") allotted under the Income Tax Act, 1961 ("**IT Act**").
Applications without this information will be considered incomplete and are liable to be rejected. **It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN, as the Bid is liable to be rejected on this ground.**

Unique Identification Number ("UIN")
Pursuant to circulars dated April 27, 2007 (No. MRD/DoP/Cir-05/2007) and June 25, 2007 (No. MRD/DoP/Cir-08/2007) issued by SEBI, the requirement of UIN under the SEBI (Central database of Market Participants) Regulations, 2005 has been discontinued and irrespective of the amount of transaction, PAN has been made the sole identification number for all participants in the securities market.

Right to Reject Bids

In case of QIBs bidding in the QIB Portion, our Company and the Selling Shareholder in consultation with the BRLMs may reject Bids provided that the reasons for rejecting the same shall be provided to such Bidder in writing at the time of rejection of Bids. In case of Non-Institutional Bidders, Retail Individual Bidders and Eligible Employees, our Company and the Selling Shareholder have a right to reject Bids based on technical grounds. Consequent refunds shall be made through any of the modes described in the Red Herring Prospectus and will be sent to the Bidder‘s address at the Bidder‘s risk.

Grounds for Technical Rejections

Bidders are advised to note that Bids are liable to be rejected *inter alia* on the following technical grounds:

1. Amount paid does not tally with the amount payable for the highest value of Equity Shares Bid for;

2. Age of First Bidder not given;

3. In case of partnership firms, Equity Shares may be registered in the names of the individual partners and no firm as such shall be entitled to apply;

4. Bid by persons not competent to contract under the Indian Contract Act, 1872 including minors,

insane persons;

5. PAN not stated or GIR number stated instead (except for Bids on behalf of the GoI or any State Government and the officials appointed by the courts and (subject to the SEBI circular no. MRD/DoP/MF/Cir-08/2008 dated April 3, 2008) from residents of the state of Sikkim).;

6. Bids for lower number of Equity Shares than specified for that category of investors;

7. Bids at a price less than the Floor Price;

8. Bids at a price more than the Cap Price;

9. Bids at Cut off Price by Non-Institutional Bidders and QIB Bidders;

10. Bids for number of Equity Shares which are not in multiples of [●];

11. Category not ticked;

12. Multiple Applications as described in the Red Herring Prospectus;

13. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;

14. Bids accompanied by stockinvest/money order/postal order/cash;

15. Signature of sole and/or joint Bidders missing;

16. Bid cum Application Forms does not have the stamp of the BRLMs or the Syndicate Members;

17. Bid cum Application Forms does not have Bidder‘s depository account details or the details given are incomplete or incorrect;

18. Bid cum Application Forms are not delivered by the Bidders within the time prescribed as per the Bid cum Application Forms, Bid/Offer Opening Date advertisement and the Red Herring Prospectus and as per the instructions in the Red Herring Prospectus and the Bid cum Application Forms;

19. In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Bidders (including the order of names of joint holders), the DP ID and the beneficiary‘s account number;

20. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;

21. Bids by QIBs not submitted through the BRLMs or their Affiliates;

22. Bids by OCBs;

23. Bids where clear funds are not available in the Escrow Accounts as per the final certificate from the Escrow Collection Banks;

24. Bids not uploaded in the Book;

25. Bids by QIB Bidders and Non-Institutional Bidders where the Bid Amount is in excess of Rs. 100,000 uploaded after 3 P.M. on the Bid/Offer Closing Date;

26. Revision of Bids by QIB Bidders and Non-Institutional Bidders where the Bid Amount is in excess of Rs. 100,000 uploaded after 4 P.M. on the Bid/Offer Closing Date;

27. Bids by persons prohibited from buying, selling or dealing in the shares directly or indirectly by

SEBI or any other regulatory authority;

28. Bids by persons who are not eligible to acquire Equity Shares of our Company in terms of all applicable laws, rules, regulations, guidelines and approvals;

29. Bids that do not comply with the securities or overseas direct investment laws of their respective jurisdictions;

30. Bids by any persons outside India if not in compliance with applicable foreign and Indian laws; and

31. Bids by any persons located in the United States other than "qualified institutional buyers" as defined in Rule 144A under the Securities Act.

Equity Shares in Dematerialized Form with NSDL or CDSL

As per the provisions of Section 68B of the Companies Act, the Allotment of Equity Shares in the Offer shall be only in a de-materialised form, (i.e., not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two agreements have been signed among our Company, the respective Depositories and the Registrar and Share Transfer Agent:

(a) Agreement dated April 6, 2010 among NSDL, our Company and the Registrar to the Offer;

(b) Agreement dated April 9, 2010 among CDSL, our Company and the Registrar to the Offer.

All Bidders can seek Allotment only in dematerialized mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

(a) A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid. (Eligible NRI's DP accounts should have a "NRI" status recorded with depository).

(b) The Bidder must necessarily fill in the details (including the DP ID) appearing in the Bid cum Application Form or Revision Form.

(c) Allotment to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.

(d) Names in the Bid cum Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.

(e) If incomplete or incorrect details are given under the heading "**Bidders Depository Account Details**" in the Bid cum Application Form or Revision Form, it is liable to be rejected.

(f) The Bidder is responsible for the correctness of his or her Demographic Details given in the Bid cum Application Form vis-à-vis those with his or her Depository Participant.

(g) Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. The Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.

(h) The trading of the Equity Shares of our Company would be in dematerialized form only for all investors in the demat segment of the respective Stock Exchanges.

Communications

All future communications in connection with Bids made in the Offer should be addressed to the Registrar to the Offer quoting the full name of the sole or First Bidder, Bid cum Application Form number, Bidders Depository Account Details, number of Equity Shares applied for, date of Bid form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof or the RTGS payment reference number.

Investors can contact the Compliance Officer or the Registrar to the Offer in case of any pre-Offer or post-Offer related problems such as non-receipt of letters of Allotment, credit of shares allotted in the respective beneficiary accounts, refunds, etc.

The Red Herring Prospectus, in so far as it relates to terms of the Offer should be read in conjunction with the aforestated paragraphs, to the extent applicable

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:

"Any person who:

(a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or

(b) otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name,

shall be punishable with imprisonment for a term which may extend to five years."

Basis of Allotment

A. For Retail Individual Bidders

- Bids received from the Retail Individual Bidders at or above the Offer Price and at Cut-off shall be grouped together to determine the total demand under this category. The Allotment to all the successful Retail Individual Bidders will be made at the Offer Price.

- The Net Offer size less Allotment to Non-Institutional and QIB Bidders shall be available for Allotment to Retail Individual Bidders who have Bid in the Offer at a price that is equal to or greater than the Offer Price. The Allotment to all the successful Retail Individual Bidders will be made at a discount of Rs.[•] to the Offer Price.

- If the valid Bids in this category is less than or equal to [●] Bid Lots at or above the Offer Price, full Allotment shall be made to the Retail Individual Bidders to the extent of their valid Bids.

- If the valid Bids in this category is greater than [●] Bid Lots at or above the Offer Price, the Allotment shall be made on a proportionate basis up to a minimum of one Bid Lot and in multiples of one (1) Equity Share thereafter. For the method of proportionate basis of Allotment, refer below.

B. For Non-Institutional Bidders

- Bids received from Non-Institutional Bidders at or above the Offer Price shall be grouped together to determine the total demand under this category. The Allotment to all successful Non-Institutional Bidders will be made at the Offer Price.

- The Net Offer size less Allotment to QIBs Bidders and Retail Institutional Bidders shall be available for Allotment to Non-Institutional Bidders who have Bid in the Offer at a price that is equal to or greater than the Offer Price.

- If the valid Bids in this category is less than or equal to [●] Bid Lots at or above the Offer Price, full Allotment shall be made to Non-Institutional Bidders to the extent of their demand.

- In case the valid Bids in this category is greater than [●] Bid Lots at or above the Offer Price, Allotment shall be made on a proportionate basis up to a minimum of one Bid Lot and in multiples of one (1) Equity Share thereafter. For the method of proportionate basis of Allotment refer below.

C. For QIBs in the QIB Portion

- Bids received from the QIB Bidders in the QIB portion, at or above the Offer Price, shall be grouped together to determine the total demand under this portion. The Allotment to all the QIB Bidders will be made at the Offer Price.

- The QIB Portion shall be available for Allotment to QIBs who have Bid in the Offer at a price that is equal to or greater than the Offer Price.

- Allotment shall be undertaken in the following manner:

  (a) In the first instance allocation to Mutual Funds for up to 5% of the QIB Portion shall be determined as follows:

    (i) In the event that Mutual Fund Bids exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for 5% of the QIB Portion.

    (ii) In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion then all Mutual Funds shall get full Allotment to the extent of valid Bids received above the Offer Price.

    (iii) Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available for Allotment to all QIBs as set out in (b) below;

  (b) In the second instance Allotment to all QIBs Bidders shall be determined as follows:

    (i) In the event of an oversubscription in the QIB Portion, all QIBs who have submitted Bids above the Offer Price shall be Allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.

    (ii) Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.

    (iii) Under-subscription below 5% of the QIB Portion, if any, in the Mutual Fund Portion, would be included for allocation to the remaining QIB Bidders on a proportionate basis.

- The aggregate allocation to QIB Bidders shall be at least 246,990,000 Equity Shares. The method of proportionate basis of allotment is stated below.

D. For Employee Reservation Portion

- Bids received from the Eligible Employees at or above the Offer Price shall be grouped together to determine the total demand under this category. The allocation to all the successful Eligible Employees will be made at the Offer Price.

- If valid Bids in this category is less than or equal to [●] Bid Lots at or above the Offer Price, full Allotment shall be made to the Eligible Employees to the extent of their demand, subject to a maximum allotment of Rs 100,000.

- The Allotment to all the successful Eligible Employees will be made at a discount of Rs.[•] to the Offer Price.

- If valid Bids in this category is greater than [●] Bid Lots at or above the Offer Price, the Allotment shall be made on a proportionate basis up to a minimum of one Bid Lot and in multiples of one (1) Equity Share thereafter, subject to a maximum allotment of Rs. 100,000. For the method of proportionate basis of allocation, see below.

- Any unsubscribed or unallocated portion in the Employee Reservation Portion shall be added back to the Net Offer before allocation to any unreserved category.

Illustration of Allotment to QIBs and Mutual Funds ("MF") in the QIB Portion

Offer Details

S. No.	Particulars	Offer details
1	Offer size	200 million Equity Shares
2	Allotment to QIB (60%)	120 million Equity Shares
	Of which:	
	a. Reservation to MF (5%)	6 million Equity Shares
	b. Balance for all QIBs including MFs	114 million Equity Shares
3	No. of QIB applicants	10
4	No. of shares applied for	500 million Equity Shares

B. Details of QIB Bids

S. No	Type of QIB bidders#	No. of Equity Shares bid for (in millions)
1	A1	50
2	A2	20
3	A3	130
4	A4	50
5	A5	50
6	MF1	40
7	MF2	40
8	MF3	80
9	MF4	20
10	MF5	20
	Total	**500**

 # A1-A5: (QIB bidders other than MFs), MF1-MF5 (QIB bidders which are Mutual Funds)

C. Details of Allotment to QIB Bidders/ Applicants

(Number of Equity Shares in million)

Type of QIB bidders	Shares bid for	Allocation of 6 million Equity Shares to MF proportionately (please see note 2 below)	Allocation of balance 114 million Equity Shares to QIBs proportionately (please see note 4 below)	Aggregate allocation to MFs
(I)	**(II)**	**(III)**	**(IV)**	**(V)**
A1	50	0	11.40	0
A2	20	0	4.5	0
A3	130	0	29.6	0

A4	50	0	11.4	0
A5	50	0	11.4	0
MF1	40	1.2	9.1	10.3
MF2	40	1.2	9.1	10.3
MF3	80	2.4	18.2	20.6
MF4	20	0.6	4.5	5.2
MF5	20	0.6	4.5	5.2
	500	**6**	**114**	**51.6**

Please note:

1. *The illustration presumes compliance with the requirements specified in this Red Herring Prospectus in "**Offer Structure**" on page 185.*

2. *Out of 120 million equity shares allocated to QIBs, 6 million (i.e. 5%) will be allocated on proportionate basis among 5 mutual fund applicants who applied for 200 shares in QIB category.*

3. *The balance 114 million equity shares (i.e. 120 - 6 (available for mutual funds)) will be allocated on proportionate basis among 10 QIB applicants who applied for 500 equity shares (including 5 mutual fund applicants who applied for 200 equity shares).*

4. *The figures in the fourth column titled "Allocation of balance 114 million equity shares to QIBs proportionately" in the above illustration are arrived as under:*

   - *For QIBs other than mutual funds (A1 to A5)= No. of shares bid for (i.e. in column II) X 114 / 494*
   - *For mutual funds (MF1 to MF5)= [(No. of shares bid for (i.e. in column II of the table above) less equity shares allotted (i.e., column III of the table above)] X 114/494*
   - *The numerator and denominator for arriving at allocation of 114 million shares to the 10 QIBs are reduced by 6 million shares, which have already been allotted to mutual funds in the manner specified in column III of the table above.*

Method of Proportionate Basis of Allotment in the Offer

In the event of the Offer being over-subscribed, our Company and the Selling Shareholder shall finalize the basis of Allotment in consultation with the BRLMs and the Designated Stock Exchange. The Executive Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLMs and the Registrar to the Offer shall be responsible for ensuring that the basis of Allotment is finalized in a fair and proper manner in accordance with the SEBI ICDR Regulations.

The Allotment to Bidders shall be made in market lots, on a proportionate basis as explained below:

a) Bidders will be categorized according to the number of Equity Shares applied for.

b) The total number of Equity Shares to be Allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.

c) Number of Equity Shares to be Allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.

d) In all Bids where the proportionate Allotment is less than one Bid Lot per Bidder, the allotment shall be made as follows:

   - Each successful Bidder shall be Allotted a minimum of one Bid Lot; and
   - The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares Allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above.

e) If the proportionate Allotment to a Bidder is a number that is more than [●] but is not a multiple of one (which is the marketable lot), the decimal would be rounded off to the higher whole number if that number is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower whole number. All Bidders in such categories would be Allotted Equity Shares arrived at after such rounding off. If the proportionate Allotment to a Bidder is a number that is more than [●] but is not a multiple of one (which is the marketable lot), the adjustment would be carried out between the Non-Institutional and Retail Individual Investor categories.

f) If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares Allotted to the Bidders in that category, the remaining Equity Shares available for Allotment shall be first adjusted against any other category, where the Allotted shares are not sufficient for proportionate Allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares. However, no adjustments would be made in the QIB category.

Payment of Refund

Bidders must note that on the basis of name of the Bidders, Depository Participant‘s name, DP ID, Beneficiary Account number provided by them in the Bid-cum-Application Form, the Registrar to the Offer will obtain, from the Depositories, the Bidders‘ address, bank account details, including the nine digit Magnetic Ink Character Recognition (“**MICR**”) code as appearing on a cheque leaf. Hence Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in dispatch of refund order or refunds through electronic transfer of funds, as applicable, and any such delay shall be at the Bidders’ sole risk and neither our Company, the Registrar, Escrow Collection Bank(s), nor the BRLMs, nor the Selling Shareholder shall be liable to compensate the Bidders for any losses caused to the Bidder due to any such delay or shall be liable to pay any interest for such delay.

Mode of making refunds

The payment of refund, if any, would be done through various modes in the following order of preference:

1. **Direct Credit** – Applicants having bank accounts with the Refund Banker(s), in this case being, HDFC Bank Limited, Kotak Mahindra Bank Limited and State Bank of India shall be eligible to receive refunds through direct credit. Charges, if any, levied by the Refund Bank(s) for the same would be borne by our Company.

2. **NEFT** (National Electronic Fund Transfer) – Payment of refund shall be undertaken through NEFT wherever the applicants’ bank branch is NEFT enabled and has been assigned the Indian Financial System Code (IFSC), which can be linked to a Magnetic Ink Character Recognition (MICR) code of that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date prior to the date of payment of refund, duly mapped with MICR code. Wherever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the applicants through this method. The process flow in respect of refunds by way of NEFT is at an evolving stage and hence use of NEFT is subject to operational feasibility, cost and process efficiency and the past experience of the Registrars to the Offer. In the event that NEFT is not operationally feasible, the payment of refunds would be made through any one of the other modes as discussed in this section.

3. **RTGS** – Applicants having a bank account at any of the centres specified by the RBI and whose refund amount exceeds Rs. 1,000,000, have the option to receive refund through RTGS. Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the Bid cum Application Form. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the Refund Bank(s) for the same would be borne by our Company. Charges, if any, levied by the applicant‘s bank receiving the credit would be borne by the Bidder.

4. **ECS/NECS** – Payment of refund would be done through ECS/NECS for applicants having an

account at any of the centres specified by the RBI. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. The payment of refunds is mandatory for applicants having a bank account at any of the 68 centers, viz, Ahmedabad, Bangalore, Bhubaneshwar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna, Thiruvananthapuram (managed by RBI); Baroda, Dehradun, Nashik, Panaji, Surat, Trichy, Trichur, Jodhpur, Gwalior, Jabalpur, Raipur, Calicut, Siliguri (Non-Magnetic Ink Character Recognition ("**MICR**")), Pondicherry, Hubli, Shimla (Non-MICR), Tirupur, Burdwan (Non-MICR), Durgapur (Non-MICR), Sholapur, Ranchi, Tirupati (Non-MICR), Dhanbad (Non-MICR), Nellore (Non-MICR) and Kakinada (Non-MICR) (managed by State Bank of India); Agra, Allahabad, Jalandhar, Lucknow, Ludhiana, Varanasi, Kolhapur, Aurangabad, Mysore, Erode, Udaipur, Gorakpur and Jammu (managed by Punjab National Bank); Indore (managed by State Bank of Indore); Pune, Salem and Jamshedpur (managed by Union Bank of India); Visakhapatnam (managed by Andhra Bank); Mangalore (managed by Corporation Bank); Coimbatore and Rajkot (managed by Bank of Baroda); Kochi/Ernakulum (managed by State Bank of Travancore); Bhopal (managed by Central Bank of India); Madurai (managed by Canara Bank); Amritsar (managed by Oriental Bank of Commerce); Haldia (Non-MICR) (managed by United Bank of India); Vijaywada (managed by State Bank of Hyderabad); and Bhilwara (managed by State Bank of Bikaner and Jaipur) as referred to in SEBI circular no. SEBI/CFD/DILDIP/29/2008/01/02 dated February 1, 2008, except where the applicant, being eligible, opts to receive refund through Direct Credit, NEFT or RTGS, ECS/NECS). For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders will be dispatched under certificate of posting for value up to Rs. 1,500 and through Speed Post/ Registered Post for refund orders of Rs. 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

Disposal of Applications and application moneys and interest in case of delay

Our Company and the Selling Shareholder shall ensure dispatch of Allotment advice, refund orders (except for Bidders who receive refunds through electronic transfer of funds) and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the Allotment to the Stock Exchanges within fifteen days from the date of Offer closure.

In case of applicants who receive refunds through ECS/NECS, direct credit or RTGS, the refund instructions will be given to the clearing system within 15 days from the Bid/Offer Closing Date. A suitable communication shall be sent to the Bidders receiving refunds through this mode within 15 days of Bid/Offer Closing Date, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.

Our Company shall make best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed, are taken within seven Working Days of the finalization of Basis of Allotment of the Equity Shares.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI ICDR Regulations, our Company and the Selling Shareholder further undertakes that:

- Allotment of Equity Shares shall be made only in dematerialized form within 15 days of the Bid/Offer Closing Date;

- Dispatch of refund orders or in a case where the refund or portion thereof is made in electronic manner, the refund instructions are given to the clearing system within 15 days of the Bid/Offer Closing Date would be ensured; and

The Selling Shareholder shall pay interest at 15% per annum for any delay beyond the 15 day time period as mentioned above, if Allotment is not made and refund orders are not dispatched instructions to SCSB are not issued, or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner and/or demat credits are not made to investors within the 15 day time prescribed above as per the SEBI ICDR Regulations.

Letters of Allotment or Refund Orders

Our Company and the Selling Shareholder shall credit Equity Shares Allotted to the beneficiary account with depository participants within 15 days of the Bid/Offer Closing Date, and shall dispatch refund orders, if any, of value up to Rs. 1,500, by ―Under Certificate of Posting and will dispatch refund orders above Rs. 1,500, if any, by registered post or speed post at the sole or first Bidder‗s sole risk within 15 days of the Bid/Offer Closing Date. Applicants residing at sixty eight centers where clearing houses are managed by the RBI or banks, will get refunds through ECS/NECS subject to adequate details being available in the demographic details received from the depositories, except where applicant is otherwise disclosed as eligible to get refunds through direct credit and RTGS. For more information in relation to these sixty eight centers please refer to ***Payment of Refund*** at page 219.

The Selling Shareholder will provide adequate funds required for dispatch of refunds orders or Allotment advice to the Registrar to the Offer.

Refunds will be made through any of the modes described above and bank charges, if any, for encashing cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI ICDR Regulations, our Company and the Selling Shareholder undertake that:

(a) Allotment of securities offered to the public shall be made not later than 15 days from the Bid/Offer Closing Date.

(b) Interest shall be paid by the Selling Shareholder at 15% per annum if the Allotment letters/refund orders have not been dispatched to the applicants or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner within 15 days from the Bid/Offer Closing Date.

In case of revision in the Price Band, the Bidding Period will be extended after revision of Price Band provided that the Bidding Period shall not exceed 10 Working Days. Any revision in the Price Band and the revised Bid Period, if applicable, will be widely disseminated by notification to the Stock Exchanges, by issuing a press release, and also by indicating the change on the web site of the BRLMs and at the terminals of the Syndicate.

Utilization of Offer proceeds

As the Offer is an offer for sale of our Equity Shares, our Company will not utilize the Offer proceeds. The Board of Directors and the Selling Shareholder declare that all monies received out of the Offer shall be transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act.

UNDERTAKINGS BY THE SELLING SHAREHOLDER/ COMPANY

(a) Our Company will ensure complaints received in respect of the Offer shall be attended to expeditiously and satisfactorily;

(b) The Selling Shareholder and our Company shall ensure that all the steps for completion of the necessary formalities for listing and commencement of trading at all stock exchanges where the securities are to be listed are taken within 7 working days of finalization of basis of allotment;

(c) If such permission is not granted by any of the stock exchanges within 70 days from the closure of the Offer, the Selling Shareholder in the Offer, shall forthwith repay without interest all monies received by it from bidders pursuant to the offer documents. In case of delay beyond the eighth day on which the Selling Shareholder becomes liable to repay the monies received from applicants, interest shall be paid in accordance with the provisions of the Section 73 of the Companies Act;

(d) The Selling Shareholder shall make available to the Registrar, the funds required for making refunds to unsuccessful applicants or dispatch of allotment advice by registered post or speed post as per the modes described in the red herring prospectus and the prospectus.

(e) The Selling Shareholder and the Company shall ensure that where the refunds are made through electronic transfer of funds, suitable communication shall be sent to the applicant(s) within 15 days of closure of the Offer, as the case may be, giving details of the bank(s) where refunds shall be credited along with the amount and expected date of electronic refund;

(f) Our Company shall ensure that no further issue of securities are made till the securities offered through the Offer document are listed or till the application moneys are refunded on account of non-listing, under subscription, etc.;

(g) The Selling Shareholder and our Company shall ensure that the certificates of the securities/ refund orders to the non-resident Indians are dispatched within the specified time;

(h) The Selling Shareholder and our Company shall ensure that adequate arrangements are made to collect all Applications Supported by Blocked Amount and to consider them similar to non- ASBA applications while finalizing the basis of allotment.

(i) The Selling Shareholder declares that it shall not have recourse to the Offer proceeds until the dispatch of refund orders following the Allotment of the Equity Shares and demat credit of the Equity Shares to successful Bidders.

There shall be no recourse to the proceeds of the Offer for Sale until the final listing and trading approvals have been obtained from all the Stock Exchanges where listing is proposed.

Offer procedure for ASBA Bidders

This section is for the information of investors proposing to subscribe to the Offer through the ASBA process. Our Company, the Selling Shareholder and the BRLMs are not liable for any amendments, modifications, or changes in applicable laws or regulations, which may occur after the date of this Red Herring Prospectus. ASBA Bidders are advised to make their independent investigations and to ensure that the ASBA Bid cum Application Form is correctly filled up, as described in this section.

The list of banks that have been notified by SEBI to act as SCSB for the ASBA Process are provided on http://www.sebi.gov.in. For details on Designated Branches of SCSBs collecting the ASBA Bid cum Application Form, please refer the above mentioned SEBI link.

ASBA Process

The ASBA process shall include the following provisions in addition to the provisions specified above for non ASBA Bidders. The information in this section for Application through ASBA Bid cum Application Form should be read in conjunction to the information provided for Application through Bid cum Application Form.

A Non QIB Investor shall submit his Bid through an ASBA Bid cum Application Form, either in physical or electronic mode, to the SCSB with whom the bank account of the ASBA Bidder or bank account utilised by the ASBA Bidder ("**ASBA Account**") is maintained. The SCSB shall block an amount equal to the Bid Amount in the bank account specified in the ASBA Bid cum Application Form, physical or electronic, on the basis of an authorisation to this effect given by the account holder at the time of submitting the Bid. The Bid Amount shall remain blocked in the aforesaid ASBA Account until finalisation of the Basis of Allotment in the Offer and consequent transfer of the Bid Amount against the allocated shares to the Public Offer Account, or until withdrawal/failure of the Offer or until withdrawal/rejection of the ASBA Bid, as the case may be. The ASBA data shall thereafter be uploaded by the SCSB in the electronic IPO system of the Stock Exchanges. Once the Basis of Allotment is finalized, the Registrar to the Offer shall send an appropriate request to the Controlling Branch of the SCSB for unblocking the relevant bank accounts and for transferring the amount allocable to the successful ASBA Bidders to the Public Offer Account. In case of withdrawal/failure of the Offer, the blocked amount shall be unblocked on receipt of such information from the BRLMs.

ASBA Bid cum Application Form

ASBA Bidders shall use the ASBA Bid cum Application Form bearing the stamp of the members of the Syndicate and/or the Designated Branch of SCSB, as the case may be, for the purpose of making Bids in terms of the Red Herring Prospectus. ASBA Bidders are required to submit their Bids, either in physical or electronic mode. In case of Application in physical mode, the ASBA Bidder shall submit the ASBA Bid cum Application form at the Designated Branch of the SCSB. In case of Application in electronic form, the ASBA Bidder shall submit the ASBA Bid cum Application Form either through the internet banking facility available with the SCSB, or such other electronically enabled mechanism for bidding and blocking funds in the ASBA account held with SCSB, and accordingly registering such Bids. The ASBA Bidders can submit up to 3 Bid options in the ASBA Bid cum Application Form.

Upon the allocation of Equity Shares, dispatch of the CAN, and filing of the Prospectus with the RoC, the ASBA Bid cum Application Form shall be considered as the Application Form. Upon completing and submitting the ASBA Bid cum Application Form to the Designated Branch of the SCSB, the ASBA Bidder is deemed to have authorized our Company to make the necessary changes in the Red Herring Prospectus as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the ASBA Bidder.

The prescribed colour of the ASBA Bid cum Application Form shall be green.

Who can Bid?

In accordance with the SEBI Circular no. SEBI/CFD/DIL/ASBA/1/2009/30/12 dated December 30, 2009), only Non QIB Investor can submit their Application through ASBA process to bid for the Equity Shares of our Company.

Maximum and Minimum Bid Size for ASBA Bidders

The Maximum and Minimum Bid Size for Bidders Applying using Bid cum Application Form or ASBA Bid cum Application Form is same for each category of investors as described above in "***Offer Structure***" on page 185**.**

Information for the ASBA Bidders:

(a) The BRLMs shall ensure that adequate arrangements are made to circulate copies of the Red Herring Prospectus and ASBA Bid cum Application Form to the SCSBs to enable them to make available such copies to investors applying under the ASBA process. Additionally, the BRLMs shall ensure that the SCSBs are provided with soft copies of the abridged prospectus and the ASBA Bid cum Application Form and that the same are made available on the websites of the SCSBs.

(b) ASBA Bidders who would like to obtain the Red Herring Prospectus and/or the ASBA Bid cum Application Form can obtain the same from the Designated Branches of the SCSBs or the BRLMs. ASBA Bidders can also obtain a copy of the abridged prospectus and/or the ASBA Bid cum Application Form in electronic form on the websites of the SCSBs.

(c) The Bids should be submitted on the prescribed ASBA Bid cum Application Form if applied in physical mode. SCSBs may provide the electronic mode of Bidding either through an internet enabled bidding and banking facility or such other secured, electronically enabled mechanism for bidding and blocking funds in the accounts of the respective eligible investors.

(d) ASBA Bid cum Application Forms should bear the stamp of the Syndicate Members and/or Designated Branch of the SCSB. ASBA Bid cum Application Forms which do not bear the stamp will be rejected.

(e) ASBA Bidders shall correctly mention the bank account number in the ASBA Bid cum Application Form and ensure that funds equal to the Bid Amount are available in the bank account maintained with the SCSB before submitting the ASBA Bid cum Application Form to the respective Designated Branch.

(f) If the ASBA Account holder is different from the ASBA Bidder, the ASBA Bid cum Application Form should be signed by the account holder as provided in the ASBA Bid cum Application Form.

(g) ASBA Bidders shall correctly mention their DP ID and Client ID in the ASBA Bid cum Application Form. For the purpose of evaluating the validity of Bids, the demographic details of ASBA Bidders shall be derived from the DP ID and Client ID mentioned in the ASBA Bid cum Application Form.

Method and Process of Bidding

(a) ASBA Bidders are required to submit their Bids, either in physical or electronic mode. ASBA Bidders submitting their Bids in physical mode should approach the Designated Branches of the SCSBs. ASBA Bidders submitting their Bids in electronic form shall submit their Bids either using the internet enabled bidding and banking facility of the SCSBs or such other electronically enabled mechanism for bidding and blocking funds in the accounts of the respective eligible investors, and accordingly registering such Bids. Every Designated Branch of the SCSB shall accept Bids from all such investors who hold accounts with them and desire to place Bids through them. Such SCSBs shall have the right to vet the Bids, subject to the terms of the SEBI ICDR Regulations and Red Herring Prospectus.

(b) The Designated Branches of the SCSBs shall give an acknowledgment specifying the ASBA Bid cum Application Form number to the ASBA Bidders as a proof of acceptance of the ASBA Bid cum Application Form. Such acknowledgment does not in any manner guarantee that the Equity Shares bid for shall be Allocated to the ASBA Bidders.

(c) Each ASBA Bid cum Application Form will give the ASBA Bidder options to bid for the Equity Shares at the price within the Price Band and specify the demand (i.e. the number of Equity Shares Bid for) for three such options. After determination of the Offer Price, the number of Equity Shares bid for by Bidders (other than QIB Bidders) at or above the Offer Price or at the Cut-off Price will be considered for allocation along with the Non-ASBA Bidders of respective category, who have bid for Equity Shares at or above the Offer Price or at Cut-off Price.

(d) Upon receipt of the ASBA Bid cum Application Form, submitted whether in physical or electronic mode, the Designated Branch of the SCSB shall verify if sufficient funds equal to the Maximum Bid Amount, are available in the ASBA Account, as mentioned in the ASBA Bid cum Application Form, prior to uploading such Bids with the Stock Exchanges.

(e) If sufficient funds are not available in the ASBA Account, the Designated Branch of the SCSB shall reject such Bids and shall not upload such Bids with the Stock Exchanges.

(f) If sufficient funds are available in the ASBA Account, the SCSB shall block an amount equivalent to the maximum Bid Amount mentioned in the ASBA Bid cum Application Form. The Designated Branch shall thereafter enter the Bid details from the prescribed ASBA Bid cum Application Form, if submitted in physical mode, or the Bid information submitted through the electronic mode made available by the SCSBs, as the case may be, into the electronic bidding system of the Stock Exchanges and generate a Transaction Registration Slip ("**TRS**"). The SCSBs will enter each Bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip, for each price and demand option. Therefore, a Bidder can receive up to three TRSs for each Bid cum Application Form. The TRS shall be furnished to the ASBA Bidder only on request.

(g) An ASBA Bidder cannot bid, either in physical or electronic mode, on another ASBA Bid cum Application Form or a non-ASBA Bid cum Application Form after bidding on one ASBA Bid cum Application Form, either in physical or electronic mode, has been submitted to the Designated Branches of SCSBs or uploaded by the ASBA Bidder, as the case may be. Submission of a second ASBA Bid cum Application Form or a Non-ASBA Bid cum Application Form to either the same or to another Designated Branch of the SCSB will be treated as multiple Bids and will be liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or Allotment of Equity Shares in the Offer.

Mode of Payment

Upon submission of an ASBA Bid cum Application Form with the SCSB, whether in physical or electronic mode, each ASBA Bidder shall be deemed to have agreed to block the entire Bid Amount and authorized the Designated Branch of the SCSB to block the Bid Amount, in the bank account maintained with the SCSB.

Bid Amounts paid in cash, by money order or by postal order or ASBA Bid cum Application Form accompanied by cash, draft, money order, postal order or any mode of payment other than blocked amounts in the SCSB bank accounts, shall not be accepted.
After verifying that sufficient funds are available in the ASBA Account, the SCSB shall block an amount equivalent to the maximum Bid Amount mentioned in the ASBA Bid cum Application Form till the Designated Date. On the Designated Date, the SCSBs shall transfer the amounts allocable to the ASBA Bidders from the respective ASBA Account into the Public Offer Account. The balance amount, if any against the said Bid in the ASBA Accounts shall then be unblocked by the SCSBs on the basis of the instructions issued in this regard by the Registrar to the Offer.

The entire Bid Amount, as per the Bid cum Application Form submitted by the respective ASBA Bidders, would be required to be blocked in the respective ASBA Accounts from the time of the submission of the ASBA Bid cum Application Form, whether in physical or electronic mode, until finalisation of the Basis of Allotment in the Offer and consequent transfer of the Bid Amount against allocated shares to the Public Offer Account, or until withdrawal/failure of the Offer or until rejection of the ASBA Bid, as the case may be.

Electronic registration of Bids by SCSBs

(a) In case of ASBA Bid cum Application Forms, whether in physical or electronic mode, the Designated Branch of the SCSBs will register the Bids using the online facilities of the Stock Exchanges. SCSB shall not upload any ASBA Application Form in the electronic bidding system of the Stock Exchange(s) unless

  (i) it has received the ASBA in a physical or electronic form; and

  (ii) it has blocked the application money in the bank account specified in the ASBA or has systems to ensure that Electronic ASBAs are accepted in the system only after blocking of application money in the relevant bank account opened with it.

(b) The Stock Exchanges offer a screen-based facility for registering Bids for the Offer which will be available on the terminals of Designated Branches during the Bidding Period. The Designated Branches can also set up facilities for offline electronic registration of Bids subject to the condition that they will subsequently upload the offline data file into the online facilities for book building on a regular basis. On the Bid/Offer Closing Date, the Designated Branches of the SCSBs shall upload the Bids till such time as may be permitted by the Stock Exchanges. ASBA Bidders are cautioned that high inflow of bids typically received on the last day of the bidding may lead to some Bids received on the last day not being uploaded due to lack of sufficient uploading time, and such bids that are not uploaded may not be considered for allocation.

(c) The aggregate demand and price for Bids registered on the electronic facilities of the Stock Exchanges will be displayed online on the websites of the Stock Exchanges.

(d) At the time of registering each Bid, the Designated Branches of the SCSBs shall enter the information pertaining to the investor into the online system, including the following details:

- Name of the Bidder(s);
- Application Number;
- Permanent Account Number;
- Depository Participant identification no.; and

- Client identification No. of the Bidder‘s beneficiary account.
- Details of multiple bids
  - Number of equity shares for each bid
  - Bid rate for each bid

In case of electronic ASBA, the ASBA Bidder shall himself fill in all the above mentioned details, except the Bid cum Application Form number which shall be system generated. The SCSBs shall thereafter upload all the abovementioned details in the electronic bidding system provided by the Stock Exchange(s).

(e) A system generated TRS will be given to the ASBA Bidder upon request as proof of the registration of the Bid. **It is the ASBA Bidders responsibility to obtain the TRS from the Designated Branches of the SCSBs.** The registration of the Bid by the Designated Branch of the SCSB does not guarantee that the Equity Shares bid for shall be Allocated to the ASBA Bidders.

(f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

(g) It is to be distinctly understood that the permission given by the Stock Exchanges to use their network and software of the online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company, the Selling Shareholder or the BRLMs or the Designated Branches of the SCSBs are cleared or approved by the Stock Exchanges; nor does it in any manner warrant, certify or endorse the correctness or completeness of compliance with the statutory and other requirements; nor does it take any responsibility for the financial or other soundness of our Company, our management or any scheme or project of our Company.

(h) It is also to be distinctly understood that the approval given by the Stock Exchanges should not in any way be deemed or construed that this Red Herring Prospectus has been cleared or approved by the Stock Exchanges; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that our Equity Shares will be listed or will continue to be listed on the Stock Exchanges.

(i) The SCSB may reject the ASBA Bid upon receipt of ASBA Bid cum Application Form, if the bank account maintained with the SCSB as mentioned in the ASBA Bid cum Application Form does not have sufficient funds equivalent to the Bid Amount. Subsequent to the acceptance of the Bid by the Designated Branch, our Company and the Selling Shareholder would have a right to reject the Bids only on technical grounds.

(j) Only Bids that are uploaded on the online IPO system of the Stock Exchanges shall be considered for allocation/Allotment. In case of discrepancy of data between the BSE or NSE and the Designated Branches of the SCSBs, the decision of the Registrar to the Offer, in consultation with the BRLMs, our Company/ the Selling Shareholder and the Designated Stock Exchange, based on the physical records of the ASBA Bid cum Application Forms shall be final and binding on all concerned.

Build up of the book and revision of Bids

(a) Bids registered through the Designated Branches of the SCSBs shall be electronically transmitted to the BSE or the NSE mainframe on a regular basis.

(b) The book gets built up at various price levels. This information will be available with the BRLMs, the Stock Exchanges and the Designated Branches of the SCSBs on a regular basis.

(c) During the Bidding Period, any Bidder who has bid using ASBA Bid cum Application Form at a particular price level is free to revise his or her Bid within the Price Band using the printed Revision Form, which is a part of the Bid cum Application Form in case the Application is made using physical form and through the online system in case the Application is made through the online system of SCSB.

(d) Revisions can be made in both the desired number of Equity Shares and the Bid price by using the

Revision Form. Apart from mentioning the revised options in the revision form, the Bidder must also mention the details of all the options in his or her ASBA Bid cum Application Form or earlier ASBA Revision Form. For example, if a Bidder has provided three Bids in the ASBA Bid cum Application Form and he is changing only one of the options in the ASBA Revision Form, he must still fill the details of the other two options that are not being revised, in the ASBA Revision Form. The SCSBs will not accept incomplete or inaccurate ASBA Revision Forms.

(e) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same SCSB through whom he or she had placed the original Bid. Bidders are advised to retain copies of the blank ASBA Revision Form and the revised Bid must be made only in such ASBA Revision Form or copies thereof.

(f) Any revision of the Bid shall be accompanied by the concerned SCSB blocking additional amount to reflect the Maximum Bid Amount on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be unblocked immediately in accordance with the terms of this Red Herring Prospectus.

(g) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS, if provided, and get a revised TRS from the SCSB. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**

(h) The SCSBs shall provide aggregate information about the numbers of ASBA Bid cum Application Forms uploaded, total number of Equity Shares and total amount blocked against the uploaded ASBA Bid cum Application Form and other information pertaining to the ASBA Bidders. The Registrar to the Offer shall reconcile the electronic data received from the Stock Exchanges and the information received from the SCSBs. In the event of any error or discrepancy, the Registrar to the Offer shall inform the SCSB of the same. The SCSB shall be responsible to provide the rectified data within the time stipulated by the Registrar to the Offer. Further the decision of the Registrar to the Offer in consultation with the BRLMs, the Selling Shareholder, our Company and the Designated Stock Exchange, in this regard shall be final and binding.

(i) Only Bids that are uploaded on the online IPO system of the BSE and the NSE shall be considered for allocation/ Allotment.

Issuance of CAN

(a) Upon approval of the Basis of Allotment by the Designated Stock Exchange, the Registrar to the Offer shall send to the Controlling Branches of the SCSBs, a list of the ASBA Bidders who have been allocated Equity Shares in the Offer. Investors should note that our Company shall endeavor to ensure that the demat credit of Equity Shares pursuant to Allotment shall be made on the same date to all investors in the Offer; and

(b) The ASBA Bidders shall directly receive the CAN from the Registrar to the Offer. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the ASBA Bidder.

Unblocking of ASBA Account

On the basis of instructions from the Registrar to the Offer, the SCSBs shall transfer the requisite amount against each successful ASBA Bidder to the Public Offer Account and shall unblock excess amount, if any in the ASBA Account. However, the Bid Amount may be unblocked in the ASBA Account prior to receipt of intimation from the Registrar to the Offer by the Controlling Branch of the SCSB regarding finalisation of the Basis of Allotment in the Offer, in the event of withdrawal/failure of the Offer or rejection of the ASBA Bid, as the case may be.

Allotment of Equity Shares

Our Company will ensure that the Allotment of Equity Shares is done within 15 days of the Bid/Offer Closing Date. After the funds are transferred from the bank account of the ASBA Bidders to the Public Offer Account on the Designated Date, to the extent applicable, our Company and the Selling Shareholder would ensure the credit of the Allotted Equity Shares to the depository accounts of all successful ASBA Bidders' within the aforesaid due date.

GENERAL INSTRUCTIONS

Do's:

(a) Check if you are a Non QIB Investor and eligible to Bid under ASBA process.

(b) Ensure that you use the ASBA Bid cum Application Form specified for the purposes of ASBA process.

(c) Read all the instructions carefully and complete the ASBA Bid cum Application Form (if the Bid is submitted in physical mode, the prescribed ASBA Bid cum Application Form is green in color.

(d) Please ensure that you have marked the appropriate check box in the ASBA Bid cum Application Form for the applicable category

(e) Ensure that the details of your Depository Participant and beneficiary account are correct and that your beneficiary account is activated, as Equity Shares will be Allotted in dematerialised form only.

(f) Ensure that your Bid is submitted at a Designated Branch of an SCSB, with a branch of which the ASBA Bidder or a person whose bank account will be utilized by the ASBA Bidder for bidding has a bank account and not to the Bankers to the Offer/Collecting Banks (assuming that such Collecting Bank is not a SCSB), to our Company or Registrar or Lead Manager to the Offer.

(g) Ensure that the ASBA Bid cum Application Form is signed by the account holder in case the applicant is not the account holder.

(h) Ensure that you have mentioned the correct bank account No. in the ASBA Bid cum Application Form.

(i) Ensure that you have funds equal to the option with the maximum Bid amount as mentioned in the ASBA form available in your bank account maintained with the SCSB before submitting the ASBA Bid cum Application Form to the respective Designated Branch of the SCSB.

(j) Ensure that you have correctly checked the authorisation box in the ASBA Bid cum Application Form, or have otherwise provided an authorisation to the SCSB via the electronic mode, for the Designated Branch to block funds equivalent to the Bid Amount mentioned in the ASBA Bid cum Application Form in your ASBA Account maintained with a branch of the concerned SCSB.

(k) Ensure that you receive a TRS for each of your Bids from the Designated Branch of the concerned SCSB for the submission of your ASBA Bid cum Application Form.

(l) Ensure that you have mentioned your Permanent Account Number ("**PAN**") allotted under the I.T. Act unless you are a resident of the State of Sikkim.

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(m) Ensure that the name(s) and PAN(s) given in the ASBA Bid cum Application Form is exactly the same as the name(s) and PAN(s) in which the beneficiary account is held with the Depository Participant. In case the ASBA Bid is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the ASBA Bid cum Application Form.

(n) Ensure that the Demographic Details are updated, true and correct, in all respects.

(o) Ensure that, in case of revision of Price Band, the bids are revised to keep the Bid Amount is upto Rs.100,000 in case of Retail Individual Investors and more than Rs 100,000 in case of Non Institutional Investors for allotment in the same category as per the original bid form.

Don'ts:

(a) Do not submit an ASBA Bid if you are a QIB Bidder.

(b) Do not instruct your respective banks to release the funds blocked in the ASBA Account under the ASBA process.

(c) Do not Bid for lower than the minimum Bid size.

(d) Do not Bid on another ASBA or Non-ASBA Bid cum Application Form after you have submitted a Bid to a Designated Branch of the SCSB.

(e) Payment of Bid Amounts in any mode other than blocked amounts in the bank accounts maintained by SCSBs, shall not be accepted under the ASBA process.

(f) Do not send your physical ASBA Bid cum Application Form by post; instead submit the same to a Designated Branch of the SCSB only.

(g) in case of Retail Individual Investors and Eligible Employees, do not fill up the ASBA Bid cum Application Form such that the bid amount against the number of Equity Shares Bid for exceeds Rs. 100,000.

(h) Do not submit the GIR number instead of the PAN.

Bids by ASBA Bidders must be:

(a) Made only in the prescribed ASBA Bid cum Application Form, which is green in colour, if submitted in physical mode, or electronic mode.

(b) In single name or in joint names (not more than three, and in the same order as their Depository Participant details).

(c) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the ASBA Bid cum Application Form.

(d) The Bids must be for a minimum of [●] Equity Shares and in multiples thereof subject to a maximum of [●] Equity Shares such that the Bid Amount does not exceed Rs. 100,000 for Retail Individual Investors.

(e) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

ASBA Bidder's depository account and bank details

ALL ASBA BIDDERS SHALL RECEIVE THE EQUITY SHARES ALLOTTED TO THEM IN DEMATERIALISED FORM. ALL ASBA BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER, BENEFICIARY ACCOUNT NUMBER AND PERMANENT ACCOUNT NUMBER IN THE ASBA BID CUM APPLICATION FORM. ASBA BIDDERS MUST ENSURE THAT THE NAME GIVEN IN THE ASBA BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. ADDITIONALLY, THE PERMANENT ACCOUNT NUMBER IN THE ASBA BID CUM APPLICATION FORM SHOULD BE EXACTLY THE SAME AS PROVIDED WITH THE DEPOSITORY ACCOUNT. IN CASE THE ASBA BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE ASBA BID CUM APPLICATION FORM.

ASBA Bidders should note that on the basis of name of the ASBA Bidders, PAN, Depository

Participant's name and identification number and beneficiary account number provided by them in the ASBA Bid cum Application Form, the Registrar to the Offer will obtain from the Depository, the Demographic Details of the ASBA Bidders. Hence, ASBA Bidders should carefully fill in their Depository Account details in the ASBA Bid cum Application Form.

As these Demographic Details would be used for all correspondence with the ASBA Bidders they are advised to update their Demographic Details as provided to their Depository Participants.

By signing the ASBA Bid cum Application Form, the ASBA Bidder is deemed to have authorised the Depositories to provide, upon request, to the Registrar to the Offer, the required Demographic Details as available on its records.

CAN and letters intimating unblocking of bank account of the respective ASBA Bidder would be mailed at the address of the ASBA Bidder as per the Demographic Details received from the Depositories. ASBA Bidders may note that delivery of CAN or letters intimating unblocking of bank account may be delayed if the same once sent to the address obtained from the Depositories are returned undelivered. Note that any such delay shall be at the sole risk of the ASBA Bidders and neither of the Designated Branches of the SCSBs, the members of the Syndicate, or our Company/ the Selling Shareholder shall be liable to compensate the ASBA Bidder for any losses caused to the ASBA Bidder due to any such delay or be liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories that match three parameters, namely, names of the ASBA Bidders (including the order of names of joint holders), the DP ID and the beneficiary account number, then such Bids are liable to be rejected.

ASBA Bidders are required to ensure that the beneficiary account is activated, as Equity Shares will be Allotted in dematerialised form only.

Payment mechanism under ASBA

The ASBA Bidders shall specify the bank account number in the ASBA Bid cum Application Form and the SCSB shall block an amount equivalent to the Bid Amount in the bank account specified in the Bid cum Application Form. The SCSB shall keep the Bid Amount in the relevant bank account blocked until withdrawal/rejection of the ASBA Bid or receipt of instructions from the Registrar to the Offer to unblock the Bid Amount.

In the event of withdrawal or rejection of ASBA Bid cum Application Form or for unsuccessful Bid cum Application Forms, the Registrar to the Offer shall give instructions to the Controlling Branch of the SCSB to unblock the application money in the relevant bank account. The Bid Amount shall remain blocked in the ASBA Account until finalisation of the Basis of Allotment in the Offer and consequent transfer of the Bid Amount to the Public Offer Account, or until withdrawal/failure of the Offer or until rejection of the ASBA Bid, as the case may be.

Any revision of the Bid shall be accompanied by the concerned SCSB blocking additional amount to reflect the Maximum Bid Amount on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be unblocked immediately in accordance with the terms of this RHP.

ASBA Bids under Power of Attorney

In case of ASBA Bids made pursuant to a power of attorney, a certified copy of the power of attorney must be lodged along with the ASBA Bid cum Application Form. Failing this, our Company and the Selling Shareholder, in consultation with the BRLMs, reserves the right to reject such ASBA Bids.

Our Company and the Selling Shareholder, in their absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the power of attorney along with the ASBA Bid cum Application Form, subject to such terms and conditions that we, in consultation with the BRLMs may deem fit.

OTHER INSTRUCTIONS

Withdrawal of ASBA Bids

In case an ASBA Bidder wants to withdraw the ASBA Bid cum Application Form during the Bidding

Period, the ASBA Bidder shall submit the withdrawal request to the SCSB, which shall do the necessary, including deletion of details of the withdrawn ASBA from the electronic bidding system of the Stock Exchange(s) and unblocking of funds in the relevant bank account.

In case an ASBA Bidder wants to withdraw the ASBA cum Application Form after the Bid/Offer Closing Date, the ASBA Bidder shall submit the withdrawal request to the Registrar to the Offer. The Registrar to the Offer shall delete the withdrawn Bid from the Bid file. The instruction for and unblocking of funds in the relevant bank account, in such withdrawals, shall be forwarded by the Registrar to the Offer to the SCSB on finalization of the Basis of Allotment.

Joint ASBA Bids

ASBA Bids may be made in single or joint names (not more than three). In case of joint ASBA Bids, all communication will be addressed to the First Bidder and will be dispatched to his address.

Right to Reject ASBA Bids

The Designated Branches of the SCSBs shall have the right to reject ASBA Bids if at the time of blocking the Bid Amount in the Bidder‘s bank account, the respective Designated Branch ascertains that sufficient funds are not available in the Bidder‘s bank account maintained with the SCSB. Subsequent to the acceptance of the ASBA Bid by the SCSB, our Company and the Selling Shareholder would have a right to reject the ASBA Bids only on technical grounds.

Further, in case any DP ID, Client ID or PAN mentioned in the ASBA Bid cum Application Form does not match with one available in the depository‘s database, such ASBA Bid will be liable to be rejected by the Registrar to the Offer.

GROUNDS FOR TECHNICAL REJECTIONS UNDER THE ASBA PROCESS

In addition to the grounds listed under "***Grounds for Technical Rejection***" on page 211, applications under the ASBA process are liable to be rejected on, *inter alia*, the following technical grounds:

1. Amount mentioned in the ASBA Bid cum Application Form does not tally with the amount payable for the value of Equity Shares Bid for in each bid;

2. Age of First Bidder not given;

3. Bid made by Qualified Institutional Bidders

4. Bids by persons not competent to contract under the Indian Contract Act, 1872, including minors and persons of unsound mind;

5. PAN not stated, or GIR number furnished instead of PAN (for details see "***Offer Procedure - Permanent Account Number or PAN***" on page 211) unless the ASBA Bidder is a resident of the State of Sikkim.;

6. Bids for number of Equity Shares, which are not in multiples of one Bid Lot;

7. Authorisation for blocking funds in the ASBA Bidder‘s bank account not ticked or provided;

8. Multiple Bids as defined in this Red Herring Prospectus;

9. In case of Bid under power of attorney, relevant documents are not submitted;

10. ASBA Bids accompanied by money order/postal order/cash;

11. Signature of sole and/or joint Bidders missing in case of ASBA Bid cum Application Forms submitted in physical mode;

12. ASBA Bid cum Application Form does not have the stamp of the SCSB and/or a member of the

Syndicate;

13. ASBA Bid cum Application Form does not have the Bidder‘s depository account details;

14. ASBA Bid cum Application Form is not delivered, either in physical or electronic form, by the Bidder within the time prescribed and as per the instructions provided in the ASBA Bid cum Application Form and the RHP;

15. Inadequate funds in the ASBA Account to block the Bid Amount specified in the ASBA Bid cum Application Form at the time of blocking such Bid Amount in the ASBA Account;

16. In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Bidders (including the order of names of joint holders), the DP ID and the beneficiary account number; and

17. Bidders are advised that ASBA Bids not uploaded in the electronic book of the Stock Exchanges, due to any of the grounds mentioned above, would be rejected.

COMMUNICATIONS

All future communication in connection with ASBA Bids made in the Offer should be addressed to the Registrar to the Offer quoting the full name of the sole or First ASBA Bidder, ASBA Bid cum Application Form number, details of Depository Participant, number of Equity Shares applied for, date of ASBA Bid cum Application Form, name and address of the Designated Branch of the SCSB where the ASBA Bid was submitted, bank account number in which the amount equivalent to the Bid amount was blocked and a copy of the acknowledgement slip. The Registrar to the Offer shall obtain the required information from the SCSBs for addressing any clarifications or grievances. The SCSB shall be responsible for any damage or liability resulting from any errors, fraud or willful negligence on the part of any employee of the concerned SCSB, including its Designated Branches and the branches where the ASBA Accounts are held. Our Company, the Selling Shareholder, the BRLMs, the Syndicate Members and the Registrar to the Offer accept no responsibility for errors, omissions, commissions or any acts of SCSBs including any defaults in complying with its obligations under applicable SEBI ICDR Regulations.

ASBA Investors can contact the Compliance Officer, the Designated Branch of the SCSB where the ASBA Bid cum Application Form was submitted, or the Registrar to the Offer in case of any pre- or post-Offer related problems such as non-receipt of credit of Allotted Equity Shares in the respective beneficiary accounts, unblocking of excess Bid Amount, etc.

Basis of Allocation

Bids received from ASBA Bidders will be considered at par with Bids received from non-ASBA Bidders. The basis of allocation to such valid ASBA and non-ASBA Bidders will be that applicable to respective category. For details, see "***Offer Procedure- Basis of Allotment***" on page 214.

Method of Proportionate basis of allocation in the Offer

No preference shall be given vis-à-vis ASBA and non-ASBA Bidders. The allocation shall be on a proportionate basis as discussed on page 219 of this Red Herring Prospectus.

Undertakings by our Company and the Selling Shareholder in relation to ASBA

In addition to the undertakings by our Promoter as the Selling Shareholder described under the section titled "***Offer Procedure - Undertakings by the Selling Shareholder/ Company***" on page 191, with respect to the ASBA Bidders, our Company and the Selling Shareholder undertake that adequate arrangements shall be made to collect all ASBA Forms and ASBA Bidders shall be considered similar to other Bidders while finalizing the 'Basis of Allocation'.

RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in Indian securities is governed by the provisions of the FEMA read with the applicable FEMA Regulations and the FDI Policy issued in November 2006 by the DIPP. Foreign investment is permitted (except in the prohibited sectors) in Indian companies either through the automatic route or the approval route, depending upon the sector in which foreign investment is sought to be made.

Under the automatic route, no prior approval of the GoI is required for the issue of securities by Indian companies/acquisition of securities of Indian companies, subject to the sectoral caps and other prescribed conditions. Investors are required to file the required documentation with the RBI within 30 days of such issue/acquisition of securities. Under the approval route, prior approval from the FIPB/RBI is required. FDI for the items or activities that cannot be brought in under the automatic route may be brought in through the approval route. Approvals are accorded on the recommendation of the FIPB, which is chaired by the Secretary, DIPP, with the Union Finance Secretary, Commerce Secretary and other key Secretaries of the GoI as its members.

Regulation 10A (b) of the FEMA Regulations provides that the transfer by way of sale of shares or debentures of an Indian company engaged in the activities listed within item nos. 1, 2 and 3 provided under Annexure B to Schedule I of the FEMA Regulations, from a person resident in India to a person resident outside India, shall require prior permission of the RBI. However, vide a RBI circular A.P (DIR Series) Circular No. 16 dated October 4, 2004 and A.P. (DIR Series) Circular No. 63 dated April 22, 2009 granted general permission for the transfer of shares and convertible debentures of an Indian company by non-residents to residents and from residents to non-residents, subject to the terms and conditions, including pricing restrictions and filing and other requirements, specified in such circulars.

Investment by FIIs

FIIs including institutions such as pension funds, mutual funds, investment trusts, insurance and reinsurance companies, international or multilateral organizations or their agencies, foreign governmental agencies, sovereign wealth funds, foreign central banks, asset management companies, investment managers or advisors, banks, trustees, endowment funds, university funds, foundation or charitable trusts or societies and institutional portfolio managers can invest in all the securities traded on the primary and secondary markets in India. FIIs are required to obtain an initial registration from SEBI and a general permission from the RBI to engage in transactions regulated under the FEMA. FIIs must also comply with the provisions of the FII Regulations. The initial registration and the RBI's general permission together enable the registered FII to buy (subject to the ownership restrictions discussed below) and sell freely, securities issued by Indian companies, to realize capital gains or investments made through the initial amount invested in India, to subscribe or renounce rights issues for shares, to appoint a domestic custodian for custody of investments held and to repatriate the capital, capital gains, dividends, income received by way of interest and any compensation received towards sale or renunciation of rights issues of shares.

FIIs are permitted to purchase shares of an Indian company through public/private placement under:

(i). Regulation 5 (1) of the FEMA Regulations, subject to terms and conditions specified under Schedule 1 of the FEMA Regulations ("**FDI Route**").

(ii). Regulation 5 (2) of the FEMA Regulations subject to terms and conditions specified under Schedule 2 of the FEMA Regulations ("**PIS Route**").

In case of investments under FDI Route, investments are made either directly to the company account, or through a foreign currency denominated account maintained by the FII with an authorised dealer, wherein Form FC-GPR is required to be filed by the company. Form FC-GPR is a filing requirement essentially for investments made by non-residents under the 'automatic route' or 'approval route' falling under Schedule 1 of the FEMA Regulations.

In case of investments under the PIS Route, investments are made through special non-resident rupee account, wherein Form LEC (FII) is required to be filed by the designated bank of the FII concerned. Form LEC (FII) is essentially a filing requirement for FII investment (both in the primary as well as the secondary market) made through the PIS Route. Foreign investment under the FDI Route is restricted/ prohibited in sectors provided in part A and part B of Annexure A to Schedule 1 of the FEMA Regulations.

Ownership Restrictions of FIIs

The issue of securities to a single FII under the PIS Route should not exceed 10% of the issued and paid up capital of the company. In respect of an FII investing in securities on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued and paid-up capital.

The aggregate FII holding in a company cannot exceed 24% of its total paid-up capital. The said 24% limit can be increased up to 100% by passing a resolution by the board of directors followed by passing a special resolution to that effect by the shareholders of the company.

Subject to compliance with all applicable Indian laws, rules, regulations guidelines and approvals in terms of Regulation 15A(1) of the FII Regulations, an FII may issue, deal or hold, offshore derivative instruments such as "Participatory Notes", equity-linked notes or any other similar instruments against underlying securities listed or proposed to be listed on any stock exchange in India only in favour of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of "know your client" requirements. An FII or their Sub-Account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity. FIIs and their Sub-Accounts are not allowed to issue offshore derivative instruments with underlying as derivatives.

Calculation of total foreign investment in Indian companies

Foreign investment in Indian securities is regulated by the industrial policy of the Government consolidated under circular (D/o IPP F. No. 5(14)/2009-FC) dated March 31, 2010 ("**Consolidated FDI Policy**") released by the Department of Industrial Policy and Promotion, Ministry of Commerce and Industry and notifications issued by RBI from time to time. Under the Industrial Policy of the Government, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures and reporting requirements for making such investment. Under the Government of India's sector specific guidelines, FDI in our Company may be up to 100% subject to the provisions of the Electricity Act, 2003.

The chapter 4 of the Consolidated FDI Policy provides the method of calculating foreign investment in an Indian company.

Foreign investment is defined broadly and includes investment by FIIs and NRIs, and foreign investment in the form of American depositary receipts, global depositary receipts, foreign currency convertible bonds, convertible preference shares and convertible currency debentures.

The Consolidated FDI Policy specifies that all investments made directly by a non-resident entity in an Indian company would be considered as foreign investment. Further, in relation to an investment by an Indian company in another Indian company, if (i) the investing Indian company is owned and controlled by resident Indian citizens, and (ii) foreign entities do not own or control the investing Indian company, then the foreign investment in the investing Indian company will not be considered for calculation of the foreign investment in the second Indian company. However, if the requirements under (i) and (ii) above are not satisfied, then the entire investment of the investing Indian company in the second Indian company being invested in will be considered foreign investment.

Pursuant to the Consolidated FDI Policy, an investing company shall be considered (i) "owned" by resident Indian citizens or foreign entities if more than 50% of its equity interest is beneficially owned by resident Indian citizens or foreign entities, as the case may be, and (ii) "controlled" by resident Indian citizens or foreign entities if the resident Indian citizens or foreign entities, as the case may be, have the power to appoint a majority of its directors.

The Consolidated FDI Policy provides guidelines relating to downstream investments by Indian companies that have foreign investment. These guidelines are based on the principle that downstream investments by

Indian companies owned or controlled by foreign entities should follow the same rules as those applicable to direct foreign investment. In respect of downstream investments by Indian companies that are not owned or controlled by foreign entities, there would not be any restrictions.

For the purpose of downstream investments, the Consolidated FDI Policy classifies Indian companies into one of three groups: (i) operating companies, (ii) operating-and-investing companies and (iii) investing companies. In connection with foreign investment in these categories of Indian companies, the Consolidated FDI Policy provides that:

(a) in respect of an operating company, foreign investment in an operating company will need to comply with the terms and conditions for foreign investment in the relevant sector(s) in which such company operates;

(b) in respect of an operating-and-investing company, foreign investment in such a company will need to comply with the terms and conditions for foreign investment in the relevant sector(s) in which such company operates. Further, the Indian company into which downstream investments are made will need to comply with the terms and conditions for foreign investment in the relevant sectors in which such Indian company operates; and

(c) in respect of an investing company, an "investing company" has been defined under the Consolidated FDI Policy as an Indian company holding only direct or indirect investments in other Indian companies other than for trading of such holdings. Any foreign investment in such company will require the prior approval of the FIPB.

the Consolidated FDI Policy further provides that foreign investment in an Indian company that does not have (i) any operations, and (ii) any downstream investments, will require the prior approval of the FIPB.

SECTION VIII- MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

The Articles of Association of our Company *inter alia* provide for the following:

Share Capital

The share capital of the Company is Rs. 70 billion (Rupees Seventy Billion only) divided into 7,000,000,000 Equity Shares. The authorised share capital of the Company was increased from Rs. 10 billion to Rs. 22 billion vide EGM held on June 6, 1997 and further increased to Rs. 45 billion vide 11th AGM held on September 20, 1999. Vide 21st AGM held on September 10, 2009, the authorised share Capital was further increased to Rs. 70 billion and face value of shares was sub-divided from Rs.1000 per share to Rs. 10per Share. The Form 5 with respect to increase in Authorised Capital was filed on September 16, 2009. Further, Form 5 for sub-division of face value of shares from Rs. 1,000 to Rs. 10 was filed on September 17, 2008.

Increase, Reduction and Alteration of Capital

i. Subject to the provisions of the Act the Company in General Meeting, may increase the share capital by such sum to be divided into shares of such amount as the resolution shall prescribe.

ii. New shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto as the general meeting resolving upon the creation whereof shall direct. Provided that no shares (not being preference share) shall be issued carrying voting rights or rights in the company as to dividend, capital or otherwise, which are disproportionate to the rights attaching to the holders of other shares (not being preference shares).Any debentures, debenture-stock or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into shares of any denomination and with any privileges and conditions as to redemption, surrender, drawing, allotment of shares, attending (but not voting) at the General Meeting, appointment of Directors and otherwise Debentures with the right to conversion into or allotment of shares shall be issued only with the consent of the Company in the General Meeting by a Special Resolution.

iii. The new shares (resulting from an increase of capital as aforesaid) may be issued or disposed of in accordance with the provisions of Article 6.

iv. Except so far as otherwise provided by the conditions of issue or by these Articles, any capital raised by the creation, of new shares shall be considered, part of the original capital and shall be subject to the provisions herein contained with reference to the payment of calls and instalments, transfer and transmission, forfeiture, lien, surrender, voting and otherwise.

v. Subject resolution to the provision of Section 100-104 of the Act, the Company may, from time to time, by Special, reduce its capital by paying off capital or cancelling capital which has been lost or is unrepresented by available assets or is superfluous or by reducing the liability on the shares or otherwise as may deem expedient, and capital may be paid off upon the footing that it may be called upon, again or otherwise, and the Board may, subject to the provisions of the act, accept surrenders of shares.

vi. Subject to the provisions of the Act the Company in a General Meeting, may from time to time sub-divide or consolidate its shares or any of them and exercise any of the other powers conferred by Sub-Section (i) (a) to (e) of Section 94 of the Act, and shall file with the Registrar such notice in exercise of any such powers as may be required by the Act.

Further Issue of shares

i. Where at the time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of shares in the Company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the Company by allotment of further shares either out of the unissued capital or out of the increased share capital then:

a. Such further shares shall be offered to the persons who at the date of the offer, are holders of the equity shares of the Company, in proportion as near as circumstances admit, to the capital paid-up on that shares at the date.
b. Such offer shall be made by a notice specifying the number of shares offered and limiting a time not being less than thirty days from the date of the offer and the offer if not accepted, will be deemed to have been declined.
c. The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to them or any of them in favour of any other person and the notice referred to in sub clause (b) hereof shall contain a statement of this right. deleted
d. After expiry of the time specified in the aforesaid notice or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board of Directors may dispose of them in such manner as they think most beneficial to the company and to such person(s) as they may think, in their sole discretion, fit.

ii. Notwithstanding anything contained in sub-clause(1) hereof, the further shares aforesaid may be offered to any person (whether or not those persons include the persons referred to in clause (a) of sub-clause (1) hereof in any manner whatsoever:
a. If a special resolution to that effect is passed by the Company in General Meeting, or
b. Where no such special resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in the general meeting (including the casting vote, if any, of the chairman) by the members who, being entitled to do so, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by members, so entitled and voting and the Central Government is satisfied on an application made by the Board of Directors in this behalf that the proposal is most beneficial to the Company.

iii. Nothing in sub-clause (c) of (1) hereof shall be deemed :
a. to extend the time within which the offer should be accepted; or
b. To authorise any person to exercise the right of renunciation for a second time on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.

iv. Nothing in this Article shall apply to the increase of the subscribed capital of the Company caused by the exercise of an option attached to the debenture issued or loans raised by the Company:
i. To convert such debentures or loans into shares in the Company; or
ii. To subscribe for shares in the Company (whether such option is conferred in these Articles or otherwise)

Provided that the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term:
a. either has been approved by the Central Government before the issue of the debentures or the raising of the loans or is in conformity with the rules, if any, made by that Government in this behalf; and
b. in the case of debentures or loans or other than debentures issued to or loans obtained from Government in this behalf, has also been approved by a special resolution passed by the Company in General Meeting before the issue of the debentures or raising of the loans.

Allotment of Shares

i. Subject to the provisions of Section 81 of the Act and these Articles, the shares in the capital of the Company for the time being shall be under the control of the Directors who may issue, allot or otherwise dispose of the same or any of them to such persons, in such proportion and on such terms and conditions and either at a premium or at par or (subject to the compliance with the provisions of Section 79 of the Act) at a discount and at such time as they may from time to time think fit and subject to the provisions of section 77A of the Act with the sanction of the Company in the General Meeting to give to any person or persons the option or right to call for any shares either at par or premium during such time and for such consideration as the Directors think fit, and may issue and allot shares in the capital of the Company on payment in full or part of any property sold and transferred or for any services rendered to the Company in the conduct of its business and any shares which may so be allotted may be issued as fully paid-up shares and if so issued shall be deemed to be fully paid shares.

Provided that option or right to call of shares shall not be given to any person or persons without the sanction of the Company in the General Meeting.

ii. Notwithstanding anything to the contrary contained in the Act or these Articles, after any issue where the securities are dealt with by a Depository, the company shall intimate the details thereof to the depository immediately on allotment of such securities.

Forfeiture and Lien

i. (a) The Company shall have a first and paramount lien upon all the shares/debentures (other than fully paid-up shares / debentures and in case of partly paid shares / debentures the company's lien shall be restricted to moneys called or payable at a fixed time in respect of such shares/ debentures) registered in the name of each member/ debentureholder (whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares/debentures and no equitable interest in any share/ debenture shall be created except upon the footing and condition that this Article will have full effect. Any such lien shall extend to all dividends, bonuses and interest from time to time declared / accrued in respect of such shares / debentures. Unless otherwise agreed the registration of a transfer of shares / debentures shall operate as a waiver of the company's lien, if any, on such shares/debentures. The Directors may at any time declare any shares / debentures wholly or in part to be exempt from the provisions of this clause.

(b) The Company may sell, in such manner as the Board thinks fit, any shares or debentures on which the Company has a lien provided that no sale shall be made :

i. Unless a sum in respect of which the lien exists is presently payable, or

ii. Until the expiration of 14 days after a notice in writing stating and demanding payment of such part of the amount in respect of which the lien exists as is presently payable, has been given to the registered holder for the time being of the share or debenture or the person entitled thereto by reason of his death or insolvency.

(c) (i) To give effect to any such sale the Board may authorise some persons to transfer the shares or debentures sold to the purchaser thereof.

(ii) The purchaser shall be registered as the holder of shares or debentures comprised in any such transfer.

(d) (i) The proceeds of the sale shall be received by the Company and applied in payment of such part of the amount in respect of which the lien exists as is presently payable.

(ii) The residue, if any, shall be subject to a lien for sums not presently payable as existed upon the shares or debentures before the sale be paid to the person entitled to the shares or debentures at the date of the sale.

ii. If a member or debenture-holder fails to pay any call or the allotment money which was deferred or kept as term deposit as a condition of subscription or instalment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or allotment money or instalment remains unpaid serve a notice on him requiring payment of so much call or instalment as is unpaid, together with any interest which may have accrued.

iii. The notice aforesaid shall :

a. name a further day (not being earlier than the expiry of fourteen days from the date of service of the notice) on or before which the payment required by the notice is to be made; and

b. state that, in the event of non-payment on or before the day so named, the shares or debentures in respect of which the call was made will be liable to be forfeited.

c. If the requirements of any such notice as aforesaid are not complied with any share or debenture in respect of which the notice has been given, may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect.

iv. A forfeited share or debenture may be sold or otherwise disposed of on such terms and in such manner as the Board thinks fit.

v. At any time before a sale or disposal as aforesaid, the Board may cancel the forfeiture on such terms as it thinks fit.

vi. (i) A person whose shares or debentures have been forfeited shall cease to be a member or holder in respect of the forfeited shares or debentures, but shall notwithstanding the forfeiture, remain liable to pay to the Company all moneys which, at the date of forfeiture, were presently payable by him to the company in respect of the share or debenture.

(ii) The liability of such person shall cease if and when the Company shall have received payment in full of all such moneys in respect of the shares or debentures.

vii. i) A duly verified declaration in writing that the declarant is a Director, Manager or the Secretary of the Company, and that a share or debenture in the Company has been duly forfeited on the date stated in the declaration, shall be conclusive evidence of the facts therein stated, as against all persons claiming to be entitled to the share or debenture.

(ii) The Company may receive the consideration, if any, given for the share or debenture on any sale or disposal thereof and may execute a transfer of the share or debenture in favour of the persons to whom the share or debenture is sold or disposed of.

(iii) The transferee shall thereupon be registered as the holder of the share or debenture.

(iv) The transferee shall not be bound to see to the application of the purchase money, if any, nor shall his title to the share or debenture be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the share or debenture.

(v) The provision of these regulations as to forfeiture shall apply in the case of non-payment of any sum which, by the term of issue of a share or debenture, becomes payable at a fixed time, whether on account of the nominal value of the share or debenture or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

Transfer and transmission of shares

i.

a. Subject to the provisions of the Listing Agreements between the Company and the Stock Exchanges, in the event that the proper documents have been lodged, the Company shall register the transfer of securities in the name of the transferee except;

   i. When the transferee is in exceptional circumstances, not approved by the Directors in accordance with the provisions contained herein;

   ii. When any statutory prohibition or any attachment or prohibitory order of a competent authority restrains the Company from transferring the securities out of the name of the transferor; when the transferor objects to the transfer provided he serves on the company within a reasonable time a prohibitory order of a court of competent jurisdiction.

b. Subject to the provisions of Section 111A, these Articles and other applicable provisions of the Act or any other law for the time being in force, the Board may refuse whether in pursuance of any power of the company under these Articles or otherwise to register the transfer of, or the transmission by operation of law of the right to, any shares or interest of a member in shares or debentures of the Company. The Company shall within one month from the date on which the instrument of transfer, or the intimation of such transmission, as the case may be, was delivered to Company , send notice of the refusal to the transferee and the transferor or to the person giving intimation of such transmission, as the case may be, giving reasons for such refusal. Provided that registration of transfer shall not be refused on the ground of the transferor being either alone or jointly with any other or persons indebted to the Company on any account whatsoever except when the Company has a lien on the shares.

c. The instrument of transfer shall be in writing and all provisions of Section 108 of the Companies Act, 1956 and statutory modification thereof for the time being shall be duly complied with in respect of all transfer of shares and registration thereof.

d. No fee shall be charged for registration of transfer, transmission, probate, succession certificate and letters of administration, certificate of death or marriage, power of attorney or similar other document.

e. A common form of transfer of shares or debentures as the case may be, shall be used by the Company

ii. The Company shall keep the Register of Transfer of Shares and Transfer of Debentures and therein enter the particulars of several transfers or transmission of any share or debenture.

iii. The instrument of transfer of any share or debenture in the company shall be executed both by the transferor and transferee, and the transferor shall be deemed to remain holder of the share or debenture until the name of the transferee is entered in the Register of Members or debenture-holder in respect thereof.

iv. A nominee, upon production of such evidence as may be required by the Board and subject as hereinafter provided, elect, either-

   i. to be registered himself as holder of the Share/Bond/ Debenture or Deposits, as the case may be; or
   ii. to make such transfer of the Share/Bond/Debenture or deposits, as the case may be, as deceased Share/Bond/ Debentureholder or Depositor could have made;
   iii. if the nominee elects to be registered as holder of the Share/Bond/Debenture or Deposits, himself, as the case may be, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects and such notice shall be accompanied with the death certificate of the deceased Share/Bond/Debentureholder or Depositor, as the case may be;
   iv. a nominee shall be entitled to the same dividends and other advantages to which he would be entitled to, if he were the registered holder of the Share/Bond/Debenture or Deposits except that he shall not, before being registered as a member in respect of his Share/Bond/ Debenture or Deposits be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company.

Provided further that the Board may , at any time, give notice requiring any such person to elect either to be registered himself or to transfer the Share/Bond/Debenture or Deposits , and if the notice is not complied with within ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable or rights accruing in respect of the Share/Bond/ Debenture or deposits, until the requirements of the notice have been complied with.

v. Nothing contained in Article 9 shall prejudice any power of the Company to register as shareholder /debenture holder any person to whom the right to any share / debenture in the Company has been transmitted by operation of law.

Dematerialisation of Securities

i. Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise or dematerialise its shares, debentures and other securities (both present and future) held by it with the Depository and to offer its shares, debentures and other securities for subscription in a dematerialised form pursuant to the Depositories Act, 1996 and the Rules framed thereunder, if any.

ii. Every person subscribing to securities offered by the Company shall have the option to receive the security certificates or to hold the securities with a Depository. Such a person who is the beneficial owner of securities can at any time opt out of a Depository, if permitted by law, in respect of any security and the Company shall, in the manner and within the time prescribed provided by the Depositories Act, 1996 issue to the beneficial owner the required Certificates of Securities.

iii. If a person opts to hold his security with a depository, then notwithstanding anything to the contrary contained in the Act or in these Articles, the Company shall intimate such Depository the details of allotment of the security and on receipt of the information, the Depository shall enter in its record the name of the allottee as the beneficial owner of the security.

iv. All securities held by a Depository shall be dematerialised and shall be in fungible form. Nothing contained in Section 153 of the Act. shall apply to a Depository in respect of securities held by it on behalf of the beneficial owners.

v. (i) Notwithstanding anything to the contrary contained in the Act or in these Articles, a Depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of security on behalf of the beneficial owner.

(ii) Save as otherwise provided in (i) above, the Depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.

(iii) Every person holding securities of the company and whose name is entered as the beneficial owner in the records of the Depository shall be deemed to be a member/debentureholder, as the case may be, of the Company. The beneficial owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities which are held by a Depository.

vi. Notwithstanding anything to the contrary contained in the Act or in these Articles to the contrary, where securities are held in a Depository, the records of the beneficial ownership may be served by such Depository on the Company by means of electronic mode or by delivery of floppies or discs.

Directors

i. The President shall, from time to time, determine the number of Directors of the Company which shall not be less than six(6) and not more than fifteen(15). Some of the Directors may be whole-time functional Directors and others may be part-time Directors depending upon the requirement from time to time. One of the part-time Directors shall be nominated by the Governor.

Provided the number of Independent directors in any case shall not be less than 50% of the actual strength of the Board.

ii.

a. The Chairman, the Vice-Chairman and all other members of the Board of Directors (except part-time Directors) shall be appointed by the President.
   Till the time Directors are appointed, the Subscribers shall be deemed to be Directors of the Company.
b. The part-time Directors shall be appointed by the President from time to time, as provided for in Article 31 supra.

iii. The President may from time to time, appoint the Chairman or any of the Directors to the office of the Managing Director(s) of the Company for such term and remuneration (whether by way of salary or other- wise) as he may think fit. Any such Chairman/ Director appointed to any such office shall, If he ceases to hold the office of Chairman/Director from any cause, *ipso facto*, immediately cease to be Managing Director(s).

iv. The Directors shall be paid such salary and/or allowance as the President may, from time to time, determine. Subject to the provisions of Section 314 of the Act, such reasonable additional remuneration, as may be fixed by the President, may be paid to any one or more of the Directors for extra or special services rendered by him or them or otherwise;

v. Two-third (any fraction to be rounded off to the next number) Directors of the Company shall be persons whose period of office shall be liable to determination by rotation and save as otherwise expressly provided in the Act, be appointed by the Company in General Meeting.

At every Annual General Meeting of the Company held next after the date of General Meeting in which first Directors are appointed, in accordance with section 255 of the Act, one-third of such Directors for the time being liable to retire by rotation or if their number is not three or a multiple of three, than the number nearest to one-third, shall retire from office.

Directors to retire by rotation at every Annual General Meeting shall be those(other than the Chairman cum Managing Director of the Company and such other non-retiring Directors, if any) who have been longest in Office since their last appointment but as between persons who become Directors on the same day, those who are to retire shall, unless otherwise agreed among themselves, by determined by lot.

A retiring Director shall be eligible for re-election. The Company at the Annual General Meeting in which Director retires, may fill-up the vacated office by appointing the retiring Directors or some other person thereto.

If the place of retiring Director is not so filled up and the meeting has not expressly resolved not to fill the vacancy, the meeting shall stand adjourned till the same day in the next week, at the same time and place, or if that day is a public holiday, at the same time and place, and if at the adjourned meeting also , the place of retiring Director is not filled up and that meeting also has not expressly resolved not to fill the vacancy, the retiring Director shall be deemed to have been re-appointed at the adjourned meeting, unless;

(i) at that meeting or at the previous meeting, a resolution for the re-appointment of such Director has been put to the meeting and lost.

(ii) The retiring Director has by a notice in writing addressed to the Company or its Board of Directors, expressed his unwillingness to be so re-appointed.

(iii) he is not qualified or is disqualified for appointment.

(iv) A resolution, whether special or ordinary, is required for his appointment by virtue of any provisions of the Act.

(v) The proviso to sub-section (2) of Section 263 is applicable to the case.

vi. A Director representing a Ministry of the Government of India or any Administrative Department of the Government of Himachal Pradesh shall retire on his ceasing to be an officer of that Ministry/Administrative Department.

vii. The President may, at any time, remove any part-time Director, from office of his absolute discretion. However, the President shall consult the Governor in cases where such part-time Director was appointed from the nominations received from the Governor. Chairman and whole-time functional Directors may be removed from office by the President in accordance with the terms of appointment or if no such terms are specified, on the expiry of three months' notice issued in writing by the President, or with immediate effect on payment of the pay in lieu of the notice period.

viii. The President shall have the right to fill any vacancy of the office of the Directors including Chairman & Managing Director appointed by him, caused by removal, resignation, death or otherwise and to substitute any Director, including Chairman in place of existing Director.

ix. In place of a Director who is out of India or is about to go out of India and who expects to be absent for not less than three months from the State in which meetings of the Board are ordinarily held, the President may appoint, in consultation with the Chairman of the Company, any person to be an Alternate Director during his absence out of India or his absence for not less than three months from the State in which the meetings of the Board are ordinarily held and such appointee, whilst he holds office as an Alternate Director, shall be entitled to notice of meetings of the Board and to attend and to vote thereat accordingly.

Powers of the Board

i. Subject to the provisions of Sections 292 and 293 of the Act, the Board may, from time to time, entrust and confer upon the Chairman, Managing Director, Director for the time being, such of the powers as it may think fit and may confer such powers for such time and to be exercised for such objects and purpose and upon such terms and conditions and with such restrictions as it may think expedient and may, from time to time, revoke, withdraw, alter or vary all or any such powers.

ii. The Board/ Chairman shall exercise all such Powers as are applicable to Mini Ratna companies and all such powers as applicable to Nav Ratna, upon such status as and when bestowed subject to adherence of to the stipulations, guidelines, notifications, circulars as may be issued from time to time by the Department of Public enterprises or any other Department of the Government of India governing the status of Mini Ratna/ Nav Ratna companies.

iii. The Chairman shall reserve for decision of the President, any proposals or decisions of the Board of Directors or any matter brought before the Board which raises, in the opinion of the Chairman, any important issue and which is on that account fit to be reserved for the decision of the President (who shall decide in consultation with the Governor where considered necessary), and no decision on such an important issue shall be taken in the absence of the Chairman appointed by the President.

iv. Without prejudice to the generality of the above provision, the Board shall reserve for the decision of the President any matter related to:

a. Agreement involving foreign collaboration proposed to be entered into by the Company.

b. The Company's revenue budget in case there is an element of deficit which is proposed to be met by obtaining funds from the Government.

c. The annual and five year annual plans for development of the Company's capital budget.

d. Winding up of the Company.
e. Sale, lease, disposal or otherwise of the whole or substantially the whole of the undertaking of the Company.

v. No action shall be taken by the Company in respect of any proposal or decision of ,the Directors reserved for the approval of the President until his approval to the same has been obtained. The President shall have the power to modify such proposal or decision of the Directors.

Dividends

i. The profits of the Company available for payment of dividend subject to any special rights relating thereto created or authorised to be created by these presents and subject to the provisions of the Act and these presents as to the reserve fund and amortisation of capital shall be divisible among the members in proportion to the amount of capital paid-up by them respectively. Provided always that (subject as aforesaid) any capital paid-up on a share during the period in respect of which a dividend is declared shall only entitle the holder of such share to an apportioned amount of such dividend as from the date of payment.

ii. No dividend shall be declared or paid by the company for any financial year except out of profits of the company for that year arrived after providing for the depreciation in accordance with the provisions of sub-section (2) of section 205 of the Act or out of profits of the company for any previous financial year or years arrived after providing for the depreciation in accordance with applicable laws and remaining undistributed or out of both or out of moneys provided by the government for the payment of dividend in pursuance of a guarantee given by the government. No dividend shall carry interest against the Company.

iii. For the purpose of the last preceding article, the declaration of the dividend as to the amount of the profits of the company shall be conclusive.

iv. Subject to the provisions of section 205 of the Act as amended, no dividend shall be payable except in cash.

v. A transfer of shares shall not pass the right to any dividend declared thereon after transfer and before the registration of the transfer.

vi. Any one of the several persons who are registered as the joint holders of any shares, may give effectual receipts for all dividends and payments on account of dividends in respect of such shares.

vii. Unless otherwise directed any dividend may be paid by cheque or demand draft or warrant or such other permissible means to the registered address of the member or person entitled or in the case of joint holding, to the registered address of that one whose name stands first in the register in respect of the joint holding and every cheque, demand draft or warrant so sent shall be made payable to the member or to such person and to such address as the shareholder or the joint shareholders in writing may direct.

Where the Company has declared a dividend but which has not been paid or claimed within 30 days from the date of declaration, transfer the total amount of dividend which remains unpaid or unclaimed within the said period of 30 days, to a special account to be opened by the company in that behalf in any scheduled bank, to be called "________Unpaid Dividend Account"

Any money transferred to the unpaid dividend account of a company which remains unpaid or unclaimed for a period of seven years from the date of such transfer, shall be transferred by the company to the Fund known as Investor Education and Protection Fund established under section 205C of the Act. No unclaimed or unpaid dividend shall be forfeited by the Board.

The Company in a General Meeting may declare a dividend to be paid to the members according to their respective rights and interest in the profits and may fix the time for payment but no dividend shall exceed the amount recommended by the Board.
The Directors may from time to time, pay to the members such interim dividends as in their judgement the position of the Company justifies.

SECTION IX – OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by our Company or entered into more than two years before the date of this Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by our Company. These contracts, copies of which have been attached to the copy of this Red Herring Prospectus, delivered to the Registrar of Companies for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of our Company from 10.00 am to 4.00 pm on Working Days from the date of this Red Herring Prospectus until the Bid/Offer Closing Date.

Material Contracts to the Offer

1. Offer Agreement dated February 25, 2010 amongst our Company, the Selling Shareholder and the BRLMs;

2. Agreement dated February 24, 2010 amongst our Company, the Selling Shareholder and Registrar to the Offer;

3. Escrow Agreement dated **[●]** amongst our Company, the Selling Shareholder, the BRLMs, Escrow Collection Banks, and the Registrar to the Offer;

4. Syndicate Agreement dated **[●]** amongst our Company, the Selling Shareholder, the BRLMs and Syndicate Members;

5. Underwriting Agreement dated [●] amongst our Company, the Selling Shareholder, the BRLMs and Syndicate Members;

Material Documents

1. Our Memorandum and Articles of Association as amended from time to time;

2. Our certificate of incorporation dated November 11, 2002;

3. Resolutions of the Board dated April 13, 2010 noting the Letter from MoP dated April 13, 2010.

4. Letter dated April 13, 2010 from the MoP to our Company approving the Offer;

5. Resolution of the Board of Directors dated February 25, 2010 and April 13, 2010 approving the Draft Red Herring Prospectus and the Red Herring Prospectus respectively;

6. Resolution of the IPO Committee dated February 25, 2010 and April 14, 2010 approving the Draft Red Herring Prospectus and the Red Herring Prospectus respectively;

7. Letter No. 23/24/2009-H-II dated February 17, 2010 from the MoP to our Company authorising Mr. R.K. Gupta Director (H), MOP to, *inter alia,* execute, sign and deliver such deeds, documents and agreements and to do all such acts, deeds required for the purpose for effecting the offer for sale by the GoI of its shareholding in our Company;

8. Approval issued by the Foreign Investment Promotion Board, Ministry of Finance vide letter no. 6\23\2010-FJU dated April 13, 2010;

9. Copies of the letters by the MoP, GoI for appointment and remuneration of our Directors;

10. MoP letter no. 13/14/2005 – H.II dated July 18, 2005 regarding the terms and conditions of appointment of our Chairman and Managing Director, Mr. Hemant Kumar Sharma. Following the resignation of Mr K.K Garg as a Director of our Company with effect from November 3, 2009, Mr Hemant Kumar Sharma assumed the additional charge of Director, Finance.

11. MoP letter no. 13/20/2005-H-II dated July 4, 2007 regarding the terms and conditions of appointment of our Director (Personnel), Mr Rajinder Singh Katoch.

12. Resolution of the Board of Directors dated February 16, 2010 appointing Mr P.S.R Murthy as Compliance Officer;

13. Statement of Tax Benefits dated February 18, 2010, and the Report of the Auditors, Hingorani M. & Co. Chartered Accountants dated April 13, 2010, prepared as per Indian GAAP and mentioned in this Red Herring Prospectus;

14. Copies of annual reports of our Company for the past five financial years;

15. Consents of the Auditors, Hingorani M. & Co., Chartered Accountants, for inclusion of their report on accounts and Statement of Tax Benefits in the form and context in which they appear in this Red Herring Prospectus;

16. Consents of Bankers to our Company, BRLMs, Syndicate Members, Registrar to the Offer, Banker to the Offer, IPO Grading Agency, Refund Bankers, Domestic Legal Counsel to our Company, International Legal Counsel to our Company, Domestic Legal Counsel to the Underwriters, Directors of our Company, Company Secretary and Compliance Officer, as referred to, in their respective capacities;

17. Applications dated March 5, 2010 for in-principle listing approvals from BSE and NSE, respectively;

18. In-principle listing approvals from BSE and NSE dated March 11, 2010 and March 12, 2010, respectively;

19. Due diligence certificate to SEBI from BRLMs, dated February 26, 2010;

20. SEBI observation letter no. CFD/DIL/ISSUES/SM/200603/2010 dated March 31, 2010;

21. IPO Grading Report and Rationale by CARE dated March 31, 2010;

22. Agreement dated April 6, 2010 amongst NSDL, the Company and Registrar to the Offer;

23. Agreement dated April 9, 2010 amongst CDSL, the Company and Registrar to the Offer;

24. Letters dated March 30, 2010 from BRLMs intimating SEBI and the stock exchanges of the appointment of independent Directors and constitution of the Investor Grievance Committee to ensure Company's compliance with clause 49 of the listing agreement.

25. RBI confirmation dated April 15, 2010 confirming that it has no objection to the transfer of 415,000,000 Equity Shares by the President of India, acting through the Ministry of Power, Government of India.

Key Contracts in relation to the business of our Company

1. Agreement between our Company and GoHP dated October 20, 2004, for the Rampur Hydro Electric Project;

2. Implementation agreement between our Company and Government of Uttaranchal (now known as Government of Uttarakhand) dated November 21, 2005, for the implementation of the Jakhol Sankri Hydro Electric Project;

3. Implementation agreement between our Company and Government of Uttaranchal (now known as Government of Uttarakhand) dated November 21, 2005, for the implementation of the Devasari Hydro Electric Project;

4. Implementation agreement between our Company and Government of Uttaranchal (now known as Government of Uttarakhand) dated November 21, 2005, for the implementation of the Naitwar Mori Hydro Electric Project;

5. MoU between our Company and the GoHP dated October 27, 2008, for the Dhaulasidh Hydro Electric Project;

6. MoU between our Company and Government of Nepal dated March 2, 2008, for the Arun
7. -3 Hydro Power Project; and

8. PPA dated July 29, 2003 entered into by the Company with Power Development Department, Government of Jammu and Kashmir;

9. PPA dated February 28, 2003 entered into by the Company with Rajasthan Rajya Vidyut Prasaran Nigam Limited as amended on May 9, 2004 whereby the beneficiary was substituted by the distribution licensees of Rajasthan i.e. Ajmer Vidyut Prasaran Nigam Limited, Jaipur Vidyut Prasaran Nigam Limited, and Jodhpur Vidyut Prasaran Nigam Limited;

10. PPA dated December 18, 2002 entered into by the Company with Engineering Department, Chandigarh Administration;

11. PPA dated October 31, 2005 entered into by the Company with GoHP;

12. PPA dated March 31, 2003 entered into by the Company with HPSEB;

13. PPA dated October 24, 2002 entered into by the Company with PSEB;

14. PPA dated December 22, 2005 entered into by the Company with Uttaranchal Power Corporation Limited;

15. PPA dated January 14, 2003 entered into by the Company with Haryana Vidyut Prasaran Nigam Limited;

16. PPA dated March 27, 2003 entered into by the Company with Delhi Transco Limited; and

17. PPA dated April 19, 2004 entered into by the Company with Uttar Pradesh Power Corporation Limited.

18. Agreement dated December 22, 2009 between the Department of Energy, Royal Government of Bhutan and the Company;

19. Indemnity agreement dated April 6, 2009 between the Company and Power Grid Corporation of India Limited; and

20. Memorandum of Understanding dated March 15, 2010 between the Ministry of Power and the Company.

Any of the contracts or documents mentioned in this Red Herring Prospectus may be amended or modified at any time if so required in the interest of our Company or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

In accordance with Section 61 of the Companies Act, in the event any of the material contracts mentioned in this section are required to be modified or amended, post the filing of the Prospectus with the RoC, reference shall be made to the shareholders of our Company for the same.

DECLARATION

We, the Directors, certify that all the relevant provisions of the Companies Act and the regulations and guidelines issued by the Government of India or the Securities and Exchange Board of India as applicable, have been complied with and no statement made in this Red Herring Prospectus is contrary to the provisions of the Companies Act, the Securities and Exchange Board of India Act, 1992 or rules or regulations issued there under, as the case may be and that all approvals and permissions required to carry on the business of our Company have been obtained, are currently valid and have been complied with. We further certify that all statements in this Red Herring Prospectus are true and correct.

1. **Signed by all Directors**

1.	**Mr. Hemant Kumar Sharma** Chairman & Managing Director	[-Sd]
2.	**Mr. Rajinder Singh Katoch** Whole Time Director (Personnel)	[-Sd]
3.	**Mr. Raghunath Prasad Singh** Whole Time Director (Electrical)	[-Sd]
4.	**Mr. Sudhir Kumar** Non-Executive Director - GOI Nominee	[-Sd]
5.	**Mr. Deepak Sanan** Non-Executive Director - GOHP Nominee	[-Sd]
6.	**Mr. Kamaljit Singh Gill** Independent Director	[-Sd]
7.	**Mr. SM Lodha** Independent Director	[-Sd]
8.	**Mr. Kambhampati Subramanya Sarma** Independent Director	[-Sd]
9.	**Mr Ravi Dhingra** Independent Director	[-Sd]
10.	**Ms Bharti Prasad** Independent Director	[-Sd]

2. **Signed By The General Manager (Finance And Accounts)**

K.S. Malhotra **GM (F&A)**	[-Sd]

3. **Signed by the Selling Shareholder**

We certify that all statements in respect of the Selling Shareholder are true and correct.

For the President of India, Director (H), Ministry of Power, Government of India **Mr. Rajiv Gupta** **Director (H)**	[-Sd]

Dated: April 16, 2010
Place: New Delhi

IPO GRADING REPORT

CARE Ratings

CREDIT ANALYSIS & RESEARCH LTD.

710, Surya Kiran,
19, Kasturba Gandhi Marg,
New Delhi-110001
Ph. : 23716199, 23318701
Fax : +91-11-23318701
Website : www.careratings.com

March 31, 2010

Mr. V P Gupta
Undersecretary to the Govt. of India
Dept of Disinvestment
Ministry of Finance
Block 14, CGO Complex,
Lodhi Road
New Delhi 110003

Confidential

Dear Sir,

IPO Grading

Please refer to your request for grading of the Initial Public Offering (IPO) of SJVN Ltd

2. CARE has assigned **'CARE IPO Grade 4' [Grade Four]** to the proposed IPO issue of SJVN Limited. **'CARE IPO Grade 4'** indicates **above average fundamentals**. CARE assigns IPO grades on a scale of Grade 5 to Grade 1, with Grade 5 indicating strong fundamentals and Grade 1 indicating poor fundamentals. CARE's IPO grading is an opinion on the fundamentals of the issuer. The grade assigned to any individual issue represents a relative assessment of the 'fundamentals' of the issuer.

3. Please note that wherever **'CARE IPO Grade 4' [Grade Four]** appears, it should invariably be followed by the definition 'CARE IPO Grade 4' [Grade Four] indicates 'above average fundamentals'.

4. The explanatory notes regarding the grading symbols of CARE for IPO grading are given in **Annexure 1**. The rationale for this grading will be communicated to you separately.

5. Please arrange to get the grading revalidated, in case the proposed IPO issue is not made within two months from the date of this letter.

CARE Ratings

6. Please note that the IPO grading is a one time exercise undertaken before an IPO issue and it does not have any ongoing validity.

7. Please note that as per the existing regulations, CARE is required to disclose all IPO gradings. As such, in the absence of any request for review of grading within a week of this letter, CARE will disclose this IPO grading to the public.

8. Please note that the disclaimer as given hereunder should be disclosed wherever the IPO grading assigned by CARE is mentioned, including offer document and issue prospectus.

9. If you need any clarification, you are welcome to approach us in this regard.

Thanking You,

Yours faithfully,

[Kapil Sachdeva]
Sr. Manager

[Sudhir Kumar]
Manager

C/c: Mr. H. K. Sharma, CMD, SJVN Ltd, Himfed Building, New Shimla,
Shimla 171009, Himachal Pradesh

DISCLAIMER:

CARE's IPO grading is a one time assessment and the analysis draws heavily from the information provided by the issuer as well as information obtained from sources believed by CARE to be accurate and reliable. However, CARE, does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. CARE's IPO grading does not take cognizance of the price of the security and it is not a recommendation to buy, sell or hold shares/securities. It is also not a comment on the offer price or the listed price of the scrip. It does not imply that CARE performs an audit function or forensic exercise to detect fraud. It is also not a forecast of the future market performance and the earnings prospects of the issuer; also it does not indicate compliance/violation of various statutory requirements. CARE shall not be liable for any losses incurred by users from any use of the IPO grading.

Annexure 1

CARE IPO grading Scale

CARE IPO grade	Evaluation
CARE IPO Grade 5	Strong fundamentals
CARE IPO Grade 4	Above average fundamentals
CARE IPO Grade 3	Average fundamentals
CARE IPO Grade 2	Below average fundamentals
CARE IPO Grade 1	Poor fundamentals

CARE Ratings

Annexure I

Grading Rationale

SJVN Ltd (formerly Satluj Jal Vidyut Nigam Ltd)

IPO Grading **CARE IPO Grade 4**

CARE has assigned a **'CARE IPO Grade 4'** to the proposed Initial Public Offer (IPO) of SJVN Ltd. (SJVNL). CARE IPO Grade 4 indicates above average fundamentals. CARE assigns IPO grades on a scale of Grade 5 to Grade 1, with Grade 5 indicating strong fundamentals and Grade 1 indicating poor fundamentals. CARE's IPO grading is an opinion on the relative assessment of the fundamentals of the issuer.

The grading reflects SJVNL's stable business profile marked by firm offtake arrangements for its operational power project and cost plus basis of tariff determination ensuring minimum Return on Equity. The grading also takes into account strength derived from sovereign ownership, experienced management team, satisfactory corporate governance practices, consistent growth in revenues and profitability since commencement and comfortable solvency profile The grading also takes cognisance of significant capital expenditure plans which expose the company to project execution, funding and regulatory risks. However, theses risks are largely mitigated by the company's demonstrated ability to execute large-scale projects, likely adequacy of funding arrangements, and favorable industry scenario which is expected to result in steady off-take and stable earning profile.

Background

SJVNL was incorporated on May 24, 1988 under the name Nathpa Jhakri Power Corporation Private Ltd. It was established as a joint venture between the Government of India and the State government of Himachal Pradesh (75:25) to develop and operate the Nathpa Jhakri Hydro Power Station (NJHPS). Subsequently in September 2002, the name of the company was changed to "Satluj Jal Vidyut Nigam Limited" as the operations of the company were based in and around the river Sutlej. The company got its present name in September 2009 as the operations of the company expanded and were no longer confined to the area in and around the river Sutlej. The NJHPS is currently the largest operational hydroelectric power generation facility in India based on installed capacity, with an aggregate generation capacity of 1,500 MW. The NJHPS is currently SJVNL's only hydroelectric power project in operation. The first unit of 250MW of NJHPS was commissioned in October 2003 with balance five units getting commissioned in phases by May 2004. The company is a 'Miniratna' Category- I (Schedule A) Public Sector Undertaking.

Promoters and Management

SJVNL's promoters are Government of India (GoI) and the Government of Himachal Pradesh (GoHP). The board has adequate representation of the Government with one nominee director each from GoI and GoHP.

Mr. H.K. Sharma is the Chairman and Managing Director of the Company since July 2005. He has vast experience in hydro power industry and execution of such projects. Further the management is well qualified and has rich industry experience.

Corporate Governance

As per the Draft Red Herring Prospectus (DRHP), the Board of SJVNL comprised 8 Directors including 3 Independent Directors. None of the directors held any equity share capital, except for Mr. HK Sharma, Mr. RP Singh, Mr.Sudhir Kumar, Mr. Rajinder Singh Katoch and Mr Ajay Tyagi, each holding 100 shares of SJVNL on behalf of President of India. The company has complied with the Securities and Exchange Board of India (SEBI) guidelines in respect of Corporate Governance including constituting committees such as Audit Committee and Remuneration Committee which are headed by Independent directors. SJVNL currently does not have a Shareholders/Investor Grievance Committee. However, it has undertaken to constitute this committee prior to the filing of the Red Herring Prospectus. Further company has also undertaken to appoint the remaining Independent Directors to comply with the Clause 49 of the Listing Agreement to be entered into with the Stock Exchanges.

Operations

FY06 was the first full year of operation for the company. Over the years, the company has achieved high operational efficiency which is evident from higher capacity index of 96.67 and 96.08 for FY08 and FY09 respectively. During FY09 the gross generation was 6608 MUs with Net Saleable Energy of 5759 MUs.

The company has firm offtake arrangement for 1500 MW power of NJHPS with various states in the northern region. The company has signed long term PPAs ranging from 5 years to 35 years to sell power to various beneficiary states. The tariff for NJHPS is determined by Central Electricity Regulatory Commission (CERC) Regulations 2009 (Terms and Conditions of Tariff), which are in force for the period April 2009 to March 2014. As per the regulations, NJHPS is entitled to a 15.5% Return on Equity (RoE) from the date of commercial operations of the project.

New projects

The company has a project under construction viz Rampur Hydro Electric Project (RHEP) with a capacity of 412 MW. The development work on project was commenced in February 2007 and the project is likely to be commissioned in 2013. The cost of the project is estimated at Rs.2047 cr which is expected to be funded in D/E of 70:30. The total amount expensed on the project stands at Rs 784 cr as on September 30, 2009. The project has achieved financial closure with World Bank sanctioning USD 400 mn loan for the project. Equity for the project would be from internal generation by the company.

Apart from this, the company is also planning seven other hydroelectric projects which are under various stages of survey and investigation. The aggregate capacity addition by the company under these planned projects is 3588 MW. The aggregate estimated cost for these projects is Rs 11831.6 cr out of which SJVNL has already spent Rs.108.5 cr.

IPO Details

SJVNL proposes to make offer for sale of 41.08 cr equity shares of Rs.10/- each for cash. (The issue size may be increased to 41.49 cr equity shares upon the receipt of approval from Cabinet Committee on Economic Affairs, allotting up to 27,812,500 Equity Shares to the Government of Himachal Pradesh (GoHP) for an investment aggregating to approximately Rs. 40.94 cr prior to the filing of Red Herring Prospectus with the Registrar of Company) The proposed public issue is offer for sale by the President of India of equity shares representing 10% of paid up capital of the company.

Financials

(Rs in cr)

Y.E. / as on Mar 31,	2007	2008	2009
Working Results			
Total Operating Income	1409	1357	1491
PBILDT	1271	1207	1313
Interest	342	323	255
Depreciation	246	240	234
PBT	769	818	1003
PAT	650	717	759
Gross Cash Accruals	896	957	994
Financial Position			
Equity share capital	4109	4109	4109
Networth*	5709	6341	6926
Total capital employed	8233	8361	9068
Key Ratios			
Growth			
Growth in Total income (%)	32.67	-3.74	9.88
Growth in PAT (%)	11.03	10.30	5.93
Profitability			
PBILDT/Total income (%)	90.19	88.96	88.10
PAT/Total income (%)	44.03	49.03	46.45
RONW (%)	11.99	11.90	11.45
Earning Per Share (Rs)	1.58	1.74	1.85
Average cost of borrowing (%)	5.76	5.60	5.30
Solvency			
Long-term Debt Equity Ratio (times)	0.44	0.31	0.27
Overall gearing ratio(times)	0.44	0.32	0.31
Interest coverage(times)	3.18	3.80	4.89
Term debt/Gross cash accruals(years)	2.82	2.05	1.86
Liquidity			
Current ratio(times)	1.09	1.05	1.02
Quick ratio(times)	1.05	1.02	1.00
Turnover			
Average Collection Period	131	76	83

**Including Income received in Advance (AAD)*

The company has a stable revenue stream on account long term PPAs with various state electricity utilities and consistent saleable energy. PBDILT margin has declined in FY09 on account of increase in expenditure on the back of higher provisioning which was made for retrospective increase in employee salaries and wages pursuant to directives issues by Department of Public Enterprises. PAT margin has declined marginally during FY09 primarily on account of higher tax Against the regulated return on equity of 14%, SJVNL's return on networth has remained below 12% primarily on account of significant amount of equity deployed in projects under construction. Earning per share has also increased consistently on the back of rising profits and constant equity base.

SJVNL's overall gearing is comfortable and has improved over the period. In line with the improvement in gearing levels, interest costs have also been declining.

The average collection period declined in FY08 on account of quicker recoveries from the state power utilities. The collection efficiency was particularly higher owing to rebates given by the company for prompt payment.

During 9MFY10, SJVNL has registered the net sales of Rs.1423 cr with a PAT of Rs 777 cr.

Industry overview

The Government of India (GoI) has developed a national electricity policy, which aims at accelerating the development of the power sector through the generation of additional power. This policy is being promoted by the Ministry of Power as 'Mission 2012: Power for All'. By 2011-12, the total energy requirement and peak demand is projected to increase to 974,974 million units and 157,107 MW respectively. The country faced average energy deficit of 11% and peak deficit of 12.7% in the year 2008-09. According to the Central Electricity Authority (CEA), as on January 31, 2010, India's power sector had an installed capacity of 156,784 MW (excluding the captive capacity). The captive generation capacity stood at 19,509 MW. Thermal power plants powered by coal, gas, naphtha or oil accounted for 64%, hydroelectric stations accounted for 23.5% and other sources (including renewable sources of energy and nuclear stations) accounted for about 12.5% of the total power generation capacity. During the Eleventh Five Year Plan, GoI is targeting to add another 78,700 MW capacity. However, out of a total target capacity of

27,397 MW for the first two years of the 11th Five Year Plan, only 12,717 MW (around 46%) could be added. In the light of the current demand-supply mismatch, there is sufficient room for players, which augurs well for the companies like SJVNL.

Press Release

CARE assigns 'CARE IPO Grade 4' to the proposed IPO of SJVN Ltd (formerly Satluj Jal Vidyut Nigam Ltd)

CARE has assigned a **'CARE IPO Grade 4'** to the proposed Initial Public Offer (IPO) of SJVN Ltd. (SJVNL). CARE IPO Grade 4 indicates above average fundamentals. CARE assigns IPO grades on a scale of Grade 5 to Grade 1, with Grade 5 indicating strong fundamentals and Grade 1 indicating poor fundamentals. CARE's IPO grading is an opinion on the relative assessment of the fundamentals of the issuer.

Grading Rationale

The grading reflects SJVNL's stable business profile marked by firm offtake arrangements for its operational power project and cost plus basis of tariff determination ensuring minimum Return on Equity. The grading also takes into account strength derived from sovereign ownership, experienced management team, satisfactory corporate governance practices, consistent growth in revenues and profitability since commencement and comfortable solvency profile The grading also takes cognisance of significant capital expenditure plans which expose the company to project execution, funding and regulatory risks. However, theses risks are largely mitigated by the company's demonstrated ability to execute large-scale projects, likely adequacy of funding arrangements, and favorable industry scenario which is expected to result in steady off-take and stable earning profile.

Company Profile

SJVNL is a hydroelectric power generation company originally established as a joint venture between the Government of India (GoI) and the state government of Himachal Pradesh to develop and operate the Nathpa Jhakri Hydro Power Station (NJHPS). NJHPS is currently the largest operational hydroelectric power generation facility in India based on installed capacity, with an aggregate generation capacity of 1,500 MW. The company has firm offtake arrangement for 1500 MW power of NJHPS with various state power utilities in the northern region. The company has signed long term PPAs ranging from 5 years to 35 years to sell power to various beneficiary states. The company has a project under construction viz Rampur Hydro Electric Project (412 MW) which is likely to be commissioned in 2013. Apart from this, the company has 7 other projects which are under various stages of survey and investigation.

The net sales of SJVNL stood at Rs1491 cr in FY09 with the PBILDT & PAT of Rs.1313 cr and Rs.759 cr .respectively. Further during the 9MFY10 (UA) SJVNL recorded a total operating income of Rs 1423 cr and earned PAT of Rs. 777 cr.

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